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ABSTRACT

Collectively, the 10 papers in this volume provide an examination of the financial outlook for higher education in the final 3 decades of the 20th century. They represent a variety of viewpoints, set forth numerous meaningful statistics and projected statistics, and illuminate the critical questions relating to future support for students and institutions. This publication is of use to those involved in planning the future of higher education. Articles, (which principally discuss federal and state support) are by Howard R. Bowen, Buford Ellington, John K. Folger, L. Felix Joyner, Robert W. Scott, Edmund C. Mester, John L. Morse, Clark Kerr, Russell I. Thackrey, and Henry King Stanford. (Author/NF)

PROCEEDINGS • A SYMPOSIUM ON FINANCING HIGHER EDUCATION

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SOUTHERN REGIONAL EDUCATION BOARD
JUNE 12, 1969

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foreword

Collectively, the papers in this volume provide a probing examination of the financial outlook for higher education as we prepare to enter the final three decades of the 20th century.

All of the papers were prepared for and delivered during the Southern Regional Education Board's annual meeting June 12, 1969, in Miami Beach, Florida. They represent a variety of viewpoints, set forth numerous meaningful statistics and projected statistics, and illuminate the critical and controversial questions relating to adequate future support for students and institutions.

SREB publishes this volume in the belief that its contents are of great potential use to those who are involved in planning the future of higher education in the South and, indeed, nationwide.

WINFRED L. GODWIN
Director
Southern Regional Education Board

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opening remarks

Mills E. Godwin, Jr. / Governor of Virginia

Twenty years ago, the newborn Southern Regional Education Board began trying to help the region expand and improve higher education through cooperation across state lines. The assumptions guiding this undertaking were two: first, that the South could substantially improve in scholarship if it pooled its resources and made a concerted effort; second, that the growing numbers of college students could be accommodated if the general public—the voters and the taxpayers—were convinced that higher education held the key to the South's future.

Today, in the South and throughout the nation, mass higher education is an accepted feature of American life. The road from then to now has been a difficult one, paved with extraordinary demands on educators, state officials and the public purse. The Southern states have marshaled human and financial resources which are most impressive, and SREB has played a substantial supporting role in the major developments of these two decades. The word which has become most characteristic of higher education is "change," and the catalogue of changes is virtually endless.

For instance, in 1950 there were 570 universities, colleges and junior colleges in SREB's participating states. They enrolled about 565,000 students, or 19 percent of the South's college-age youth. They awarded 566 doctoral degrees, less than nine percent of the nation's total.

Now there are some 200 more institutions in these 15 states, which means the birth rate has been about 10 colleges a year. The region has more than 1.7 million college students today, and they represent more than 38 percent of its college-age youth. It is estimated that this year Southern universities will confer doctoral degrees on 4,900 scholars, approximately 19 percent of the doctorates earned nationwide.

These figures give a quite accurate impression of vigorous growth and improvement. But they do not tell the whole story. Southerners can take pride in the accomplishments of these 20 years, but they must not become complacent. For the truth is that, despite absolute gains, the region has improved its situation relative to the rest of the nation only slightly. The South still trails in percentage of college-age youth attending colleges, in the average state appropriation per college-age youth for the operation of public universities and colleges, and in other key measurements of support for higher education.

Thus, it has taken an enormous effort merely to run in place, and this effort must be extended indefinitely if the South is to achieve its goal of expanded opportunity and acknowledged excellence in scholarship.

Now, however, higher education is in danger of developing a serious credibility gap which could imperil the continuation of this maximum effort. The consensus which year after year has provided solid public support—and increasing tax funds—for higher education is being eroded.

One cause of this erosion is the apparently endless escalation of the costs of higher education. It is true that an expanding endeavor generally involves rising expenditures, and that higher education is still expanding rapidly. It is also true that the effects of inflation only compound the dollar needs of universities and colleges. But taxpayer resistance to any and all tax increases is growing, and higher education is affected, as are all other tax-supported endeavors.

Another cause of erosion, equally serious and more dramatic, is the current crisis over who controls the university: radical students, faculty members, the president, the trustees, the governor or the legislature? Aside from the obvious dangers to life and property, campus violence and disruption heighten public hostility to higher education where it already exists and create it where it has not existed. And this hostility only increases resistance to pleas for more money.

Perhaps there could be no more vital service in these troubled times than to shore up higher education's credibility, to keep open the channels of communication between the academic community, on the one hand, and state government and the general public, on the other. And this need is one which SREB can help us meet.

All Americans need to understand what is happening in higher education today, to view confrontation and chaos with some historic perspective, and to interpret seemingly irrational happenings rationally. It is important, first of all, to realize that the character of higher education in this nation has changed dramatically since the end of World War II. It is no longer the special preserve of the well-to-do or the exceptionally talented.

Many factors have contributed to this change: the postwar GI Bill and the resulting flood of veterans onto campuses, the spread of affluence to ever greater numbers of families, the explosions of new knowledge and technology, the rising educational requirements for employment, the accelerating drive to extend equal opportunities to minority groups.

In any case, higher education today is a massive endeavor involving masses of people. It is logical that this basic change in the composition of the academic community should lead to changes in the structure and operation of its institutions. Additionally, increasing numbers of students seem to view higher education as a right rather than a privilege. It is not necessary to agree with them in order to understand that students who hold this view are going to seek more aggressively the kinds of education they want, and it is not surprising that many of them want to eliminate university control of their private lives, and that some of them want increased influence in the campus community.

Although some students undoubtedly believe otherwise, this desire for change is not the cause of public hostility toward higher education. That hostility is a reaction to the radical tactics employed by students who seize buildings, threaten individuals, disrupt classes, destroy property, present "non-negotiable" demands, and espouse the doctrines of confrontation and revolution. The hostility is nurtured, too, by some faculty members who support such actions and by some administrators who seem unable or unwilling to use whatever force is necessary to restore and maintain order. Certainly, there is justification for this hostility. The crucial point is whether it is aimed at the right target.

The vast majority of American students is not predisposed to using force, coercion and revolutionary tactics to produce change on campus, and this is true even at those universities and colleges which have suffered the most crippling and harmful confrontations. It is commonly estimated that radicals, those who seek to overthrow established authority, represent only about two percent of the nation's seven million college students. Many more students are sympathetic, because they, too, favor change in the system, but they do not support the methods employed by the radicals.

The message which must be carried to the general public, then, is that constructive efforts to change American colleges should be welcomed, that destructive efforts should be dealt with firmly, that response to provocation should be limited to a just enforcement of the laws, and that government action should be wholly supportive of university leaders as they seek to maintain order, protect life and property, and preserve their institutions.

In brief, the whole of higher education must not be penalized because of the disruptive rabble-rousing of the radical minority which claims it would improve the university by subverting the freedom to teach and learn and by destroying the rule of reason.

When the Southern Regional Education Board was created by interstate compact 20 years ago, it recognized that a prime challenge was to convince the Southern people that improved and expanded higher education was not a luxury but a necessity requiring substantially greater support. Today, despite the myriad changes which have occurred, this challenge remains. If the favorable response is to continue, the public must have a clear view not only of the problems but the value and the rewards which higher education offers both to the individual student and to society as a whole.

Thus, communication between town and gown grows more significant than ever before, and this Board, entering its third decade of service to higher education, has the opportunity—the obligation—to provide perspective and to promote rational problem-solving. Reason, after all, is the essence of higher education.

who pays the higher education bill?

Howard R. Bowen

Since World War II, a veritable revolution in the finance of higher education has occurred. Before that time, students were financed primarily by their families with modest amounts of scholarship help and virtually no loans except to tide them over temporary emergencies. State institutions were financed primarily by state governments and tuitions were miniscule. Private institutions were financed by a combination of private gifts, endowment income (resulting from past gifts), and tuitions. These institutions received virtually no public funds. The federal government's role was negligible except for certain agricultural and other specialized programs.

Following World War II, and especially since 1955, vast changes have taken place. Scholarships and other grants to students have been expanded to many times their previous amounts; more recently, the use of loans to students has expanded sharply. In the administration of student aid, increasing emphasis has been placed on the financial need of students, and institutions have raised tuitions almost routinely year after year. With the increasing number of married students, spouses have become a major source of support for students. During this period, the federal government has become a major source of funds for financing students through both grants and loans, and it has become an equally important contributor to institutions through a wide array of grants, awards, contracts, and loans for buildings, research, training programs, and other specified purposes.

Meanwhile, philanthropic foundations have grown in number and resources; profit-making corporations have become patrons of education; and colleges and universities have become more professional and more aggressive in fund-raising. State governments have offered scholarships to students and have in some cases contributed directly to private institutions. All of these changes have added up to a remarkable transformation of the system of higher educational finance.

But the transformation has not been completed, and today there are many proposals for change and much energetic activity among educators, public officials, and economists looking toward solution of what is often called the financial "crisis" of higher education. From these many proposals, however, one can identify two policy questions of transcendent importance. The first of these is: *What fraction of total educational cost should be borne by the families of students and what proportion by "society" through taxes and gifts?*

This issue is often discussed in terms of the level of tuitions, but it is broader than that, as I shall show. The second question is: *Should students whose parents cannot meet all their educational costs be financed primarily by means of loans or grants?* The remainder of this paper will be devoted to a discussion of these two issues.

Most of the debate centers around two policy positions. The first is that students and their families should bear most of the costs of higher education. To give effect to this principle, it is proposed that students and their families should contribute whatever they can afford and that the deficit for students of low-income families should be made up primarily by long-term loans. The second position is that "society" should bear a substantial share of the educational cost for all income classes, that students of low-income families should be financed primarily by grants, and that loans should be used sparingly as a supplemental form of aid. I shall argue that the second of these positions is the sounder one.

As a first step in the analysis, I shall identify the costs of higher education which must be financed.

The Costs of Higher Education

By the "costs of higher education" in any year, I mean the value of all the resources devoted in that year to the education of students in post-secondary schools, colleges and universities.

Within this definition, the costs of higher education may be divided into three parts: (1) the time of the students being educated; (2) incidental expenses of students for books, supplies, transportation, etc.; and (3) costs of operating institutions of higher education.

By far the largest of the three costs is the time of the students. If persons of the age of 18 to 25 or older were not in college, most of them would be employed in remunerative and socially productive occupations. By attending college, they are foregoing substantial income and society is sacrificing vast productive power. It is true that by going to college most students will increase their potential future income; nevertheless, for each year they are in college, they (and society) are sacrificing on the average perhaps $4,000 of income.[1] When it is considered that about five million young men and women are now attending college full-time and that about two million others are attending part-time, the magnitude of the cost in foregone income can be appreciated.

Most students, if they were not in college, would be earning their own living. Because they are in college, someone else—parents, other donors, government, private lenders—must provide all or part of their living expenses. This someone else is really replacing part of what the student might have earned. By working part-time, the student can also replace some of the foregone income himself. Any remaining balance of foregone income is an unrecovered loss which the student bears. Thus, the foregone income consists of three parts: (1) the unrecovered loss; (2) the portion replaced through part-time earnings of the students; and (3) the portion replaced through contributions or loans of others for living expenses. Whoever pays this third portion—whether parents or donors or taxpayers—is in a sense paying the student for his time.

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[1] The present average weekly earnings in non-agricultural private employment is about $103 or more than $5,000 a year. Considering that persons of college age are young and inexperienced, their earnings might be less than this average. However, these people are the very cream of American youth as to energy, intelligence, and ability, and so their earnings would probably be greater than those of presently employed young people. I would guess that $4,600 a year is a reasonably conservative estimate of their potential average earnings. Some, especially women, would not be in the labor force if they were not in college, and some would be unemployed. I would guess that perhaps seven-eighths of them would be employed if they were not in college. Assuming that earnings would be $4,000 for those employed and that 87.5 percent would be employed, the average foregone income of each college student would be about $4,000.

The second major element of cost is incidental expense, relating to college attendance, over and above what would otherwise have been needed. Such expenses include books, supplies, equipment, transportation, club memberships, and extra or special outlays for living expenses. (Note that one would not count in these costs living expenses that the student would have incurred even if he had not been in college.) Incidental expenses vary greatly among students in different courses and institutions. I would guess that the over-all average per student would be around $400 a year.

A third element is the cost of operating the colleges and universities. Because institutions engage in many research and public service activities not directly related to instruction, one may distinguish between educational and other costs. I shall divide institutional costs into three classes: (1) educational costs financed from tuitions and student fees, (2) educational costs financed from other sources, and (3) costs for research and public service.

Using the above classification of costs, it is possible to estimate roughly the dollar amount of each cost element as of 1968-69:

	Average per Student	Total All Students* (billions)	Percentage
Foregone income of students			
Unrecovered loss (borne by students)	$2,000	$11.0	29.6
Portion replaced through students' part-time earnings (borne by students)	800	4.4	11.8
Portion replaced by parents and others through gifts, grants, and loans	1,200	6.6	17.7
Sub-total	$4,000	$22.0	59.1
Incidental expenses of students	$ 400	$ 2.2	5.9
Operating costs of institutions**			
Educational costs financed from tuitions and student fees	$ 583	$ 3.5	9.4
Educational costs financed from other sources	833	5.0	13.4
Costs for research and public service	750	4.5	12.1
Sub-total	$2,166	$13.0	34.9
Grand Total	$6,566	$37.2	100.0

*Assumes five million full-time students, two million part-time students, and six million full-time equivalents. Estimates of foregone income and incidental expenses assume that the two million part-time students are equal to 500,000 full-time equivalents.

**To distinguish between educational costs and costs for research and public service is treacherous, because instruction and research are closely related joint products. Research is useful to teaching not only because it contributes a helpful intellectual atmosphere but also because, even in a college wholly dedicated to teaching, research is necessary to keep the faculty alive intellectually and to induce them to stay with the institution.

It should be emphasized that these statistics are rough estimates. These figures are intended to show general orders of magnitude rather than precise amounts. Several broad conclusions emerge, nevertheless.

First, the principal costs of higher education are those associated with the student, namely, freeing the student from employment so that he can attend college and providing him with the necessary funds for incidental expenses. These two elements of cost make up about two-thirds of the total. Institutional costs amount to only one-third. When tuitions are added to the other costs associated with students, the percentage on account of students rises to three-fourths of the total.

Second, despite all the financial apparatus that has been devised in recent years, students and their parents bear the principal burden of higher educational costs.

Third, tuitions at present levels represent a tiny fraction of the total cost—less than 10 percent. A moderate expansion or contraction of tuitions would not change the total system decisively.

Fourth, the major items of cost are the replacement of earnings and the provision of incidental expenses of students—not the finance of institutions. If there is to be an opening of opportunity through higher education to young people of low and middle-income families, the major task will be the finance of students, not the finance of institutions. This does not mean that institutions do not need help. They do. Nevertheless, the bigger part of the job is to get the students to college, and the smaller part is to finance the institution—formidable as that smaller part may be.

Fifth, since the bulk of higher educational costs consists of student time, in the conduct of colleges and universities the important place to economics is on the time of students rather than on the outlays of institutions. Yet higher education is often conducted as though the time spent by students were a free good and the only useful or necessary economies were those relating to institutional operations. I do not necessarily imply that efficiency in the use of student time requires that education be speeded up, though that is one possible route to greater efficiency. Rather, I suggest that institutional efforts should be adequate in quality and effectiveness to justify the high cost of the student time involved. I daresay if colleges had to pay wages at going rates for the time of the students involved, there would be a tremendous revolution in instructional methods, and in the deployment of institutional resources.

Notes on the History of Higher Educational Finance

Throughout most of American history, the finance of the students' living costs and incidental expenses was a responsibility of families including parents, relatives, and students themselves through part-time earnings. Scholarships and loans were not an important element. The finance of institutions, on the other hand, was largely a responsibility of "society" as represented by churches, private donors, and state government. Tuitions were almost non-existent in state institutions and represented only a fraction of institutional cost in private ones. A sharp distinction was made between the finance of students, which was largely the responsibility of families, and the finance of institutions, which was the responsibility of "society." In this traditional system, education was fairly easy to come by for those young people whose families could manage to support them wholly or in large part. These families were, however, generally those in upper-income groups and those (such as families headed by clergymen and teachers) who were poor but highly motivated and willing to make great sacrifice.

In this system, higher education was largely the preserve of privileged young people—privileged in income or privileged in family appreciation of education. The encouragement of "society" came through free or low tuition and not usually through scholarships or loans. As the tuitions of private institutions rose, opportunity was kept open through the low-tuition public institutions. For example, when I attended a state college in the 1920s, tuition was only $10 per year—but scholarships and loans were few and these were usually based on scholastic performance and not on financial need. The problem of college-going then was primarily to present oneself to the institution with adequate living and incidental expenses, not to help support the institution. This system persisted until World War II.

The first great change came with the G. I. Bill which provided massive public funds for the finance of students. The returning veterans were considered no longer dependent on their parents, and it was felt that they deserved the opportunity for higher education, so grants were provided to cover living costs, incidental expenses and tuitions. The spectacular success of the G. I. Bill in bringing higher education to a generation of young men and women undoubtedly changed American attitudes about higher educational finance. Thereafter, in the 1950s, grants to students based on financial need—mostly financed by institutions—became widespread, and beginnings were made in expanding the use of loans. Some of the new credit schemes were available to parents and some to students.

In the 1960s, the federal government greatly expanded its role in the finance of students by providing various types of grants and loans in substantial amounts. At this time, long-term loans to students became a firmly established part of the financial system. However, loans were usually used in conjunction with parental contributions, work, and grants, and the total indebtedness of any one student was usually held down to one or two thousand dollars. Up to the present, loans have been considered a supplemental, rather than primary, source of student finance.

In the post-war period, tuitions were pushed up steadily and substantially in both private and public institutions. But the prevailing opinion continued to favor low tuitions, and the raising of tuitions was considered an unfortunate necessity. In recent years this opinion has been changed in some circles, and it is frequently proposed that tuitions should be raised boldly so that institutional funds would be derived primarily from tuitions. Funds with which low-income students could meet their costs would then be provided by grants or long-term loans according to financial need.

A persistent element in this history has been the concept that the family is responsible for the support of children through college and for the payment of incidental expenses and tuitions. But even this concept is now changing. The first major breach was the G. I. Bill under which veterans were considered to be emancipated from their families. A second modification of the old concept of family responsibility resulted from the prevalence after World War II of early marriages. The spouse was often substituted for the parents as a source of support. A third modification came about through the recent expansion in advanced study. A distinction appears to have been accepted between the single undergraduate who is usually considered dependent on his parents and the advanced graduate or professional student who is considered emancipated from his family. Hence, undergraduate aid is usually based on need as measured by parental ability, and graduate aid is often unrelated to family circumstances. Also the attitude has been changing as to the amount of sacrifice a family is expected to make, and aid has become available to families in fairly high income brackets.

Still another change in the family concept has been that some men and women of college age, eager to be considered independent adults and chafing under parental authority based on parental financial support, have sought to escape from dependence on parents. Finally, the newer forms of loans have been loans to students, to be repaid by students out of future earnings, rather than loans to parents. The effect of these loans has been to relieve parents of traditional responsibility and to shift it to their children. But despite all these changes that have tended to relieve parents of financial responsibility, it is still generally accepted in America that parents are responsible, according to their means, for the finance of their children at least through the undergraduate years. Parents are still the bulwark of higher educational finance.

In earlier days, it was considered adequate if a family met the living costs and other expenses of a son or daughter, plus perhaps a small contribution to institutional cost in the form of tuition. It was expected that "society" as represented by donors and taxpayers would meet the bulk of the institutional costs. More recently, however, it has often been suggested that parents should pay as much as they can afford and that well-to-do families should not escape with less than full cost. The presence on campuses of sports cars and other marks of luxury are often cited as evidence that tuitions should be raised.

Wide agreement seems to have been reached on several propositions concerning the role of the family in the finance of higher education. First, there seems to be no debate on the presumption that the student himself should bear the full cost of any unrecovered loss of income due to his devoting time to higher education. Second, the student should contribute as much as possible through part-time work, though this work should not interfere unduly with his studies and other valuable activities of college life. Third, the family should contribute according to its ability toward the undergraduate student's living costs and incidental expenses. The family is on the whole a reliable and willing source, because most parents desperately want their children to go to college and are prepared to make sacrifices to this end. Fourth, some form of aid should be available, either grants or long-term loans to students, to cover living expenses and college costs beyond the family's capacity. Finally, instructional costs should be distinguished from expenses for research and public service not closely related to instruction, and that the latter should not be charged to families by means of tuitions but rather should be financed by taxes and private gifts. Agreement on these propositions does not necessarily justify them in principle, but it makes them workable in practice.

But beyond these areas of general agreement, there are differences of opinion on two major issues: (1) the proportion of the educational costs of colleges and universities to be met from taxes and private gifts and the proportion from tuitions; and (2) when families are not financially able to provide all educational costs for their children, the relative role of gifts and grants in making up the deficits.

The Finance of Institutional Costs of Instruction: The Role of Tuitions

Traditionally in America, low tuitions have been advocated "to keep open the doors of opportunity to aspiring young men and women." The raising of tuitions has almost always been done reluctantly and only when other sources have proved inadequate. The present position of tuition in the finance of higher education is largely the result of expediency, not of principle. In recent years, however, attitudes have been changing, and high tuitions, even high enough to cover all instructional costs, are often advocated on principle.

Three major arguments are often advanced in favor of high tuitions.

The first argument is an application of the "benefit theory," namely, that the cost of public services which benefit particular individuals should be borne by the beneficiaries. It is argued that the benefits from higher education accrue primarily to students (or to parents who value the economic and cultural advancement of their children), and that the institutional costs should be paid primarily or wholly through tuitions. Taxpayers and donors, it is said, should not be expected to contribute—especially since many college students and their parents are or will be in the upper-income class.

Even if one accepts the benefit theory, it scarcely justifies the raising of tuitions. Those who use this argument usually focus on institutional costs of higher education and overlook the much larger costs associated with students—loss of income, living expenses, and incidental expenses. When all costs are considered, the portion borne by families is substantial. They are already paying dearly for the individual benefits received. Moreover, society at large benefits from higher education through broad economic, social, and cultural advancement, and society (taxpayers and donors) might reasonably bear some of the cost even on the benefit theory.[1] More important, high tuitions, unless students are much more generously financed through grants than they have ever been or are likely to be in the near future, are a significant barrier to college-going on the part of young persons from low-income families. It would seem extraordinarily perverse in the America of today to raise the barriers to higher education precisely at the time when we are, or should be, trying to open up opportunity to young persons of low-income and minority backgrounds. Finally, the benefit theory would be more plausible as a justification of higher tuitions if the benefits of college-going were the preserve of a small minority. On the contrary, America is heading toward very broad participation in higher education. In areas where ample and varied facilities have been provided, as in California, as many as 80 percent of all young people attend colleges or universities. With this broad base of participation almost everybody benefits to some extent. I would conclude that the benefit theory is a weak basis for raising tuitions.

The second argument for high tuitions is an application of the "ability theory," namely, that families who can afford to pay the cost of educating their children should bear the full cost. To accomplish this objective, tuitions should be raised to cover the full cost of instruction. Otherwise the children of the rich would be "subsidized" by general taxpayers and donors who support institutions of higher education. Families of lower income would pay the same tuitions but would be assisted by loans or grants. This argument could be applied just as well to public services other than higher education, e.g., public elementary education, police protection, public library use, etc. These services could also be financed by charges to cover full cost, with grants or loans to help low-income persons. They are not, because, when society wishes to encourage the use of a public service by making it readily available to all, everyone—rich and poor alike—should enjoy the service on the same terms. However, assuming that "society" is not satisfied with the prevalent distribution of income, the general tax system which finances such a service should impose graduated rates of a type that would require the rich to pay more than the poor. It is not wrong for the rich to receive higher education at a charge below full cost any more than it is wrong for them to receive any other public service or private good on the same terms as the rest of the population—provided the general tax system is "equitable." If one argues that the rich are not paying their share of higher educational costs, the remedy is not necessarily to raise the charge to the level of full cost but to revise the tax system. One must admit, however, that charging higher charges for the services of higher educational institutions is one way of altering the distribution of income. But it is not clear why higher education should be singled out from among other social services for differential pricing. On the whole, the ability theory is not a conclusive justification for high tuitions.

The third argument for raising tuitions is what I would call the expediency argument. Whenever institutions cannot find adequate funds from any other source, they turn to tuitions as a last resort. Since tuitions still represent only a small fraction of the total cost of higher education, and since the demand for higher education is insistent, tuitions can be raised substantially without much effect on enrollments. For the nation as a whole, tuitions represent less than one-tenth of the total cost of education. If they were doubled, they would amount to only one-fifth of the total. So institutions which still have relatively low tuitions are under considerable temptation to raise them.

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[1] The argument that "society" benefits and therefore should bear some of the cost is opposed by some economists. They point out that society benefits from many private expenditures and that we do not regularly "subsidize" such expenditures merely because of the social benefits. For example, society benefits from good nutrition which tends to prevent disease, but society does not, therefore, arrange for food to be sold at prices below cost. As opposed to this view, I would point out that education is so critical to the advancement of the society that encouragement of it through subsidization from general taxes is fully justified. Certainly if a case can be made for "free" elementary and secondary education, where the element of cost resulting from foregone income is largely absent, a much stronger case can be made for subsidizing higher education where the element of foregone income is so large.

The expediency argument is the one that usually prevails over the more subtle ability and benefit theories. But expediency is not a very compelling basis for a policy. In conclusion, I find no persuasive argument for tuitions as a method of financing institutions, and I conclude that the nation would be well advised to eliminate or reduce tuitions, or at least to avoid raising them further.

If financial need does not permit all tuitions to be eliminated or reduced, charges in some parts of the system, e.g., community colleges and state universities, should be held to a minimum so that higher education may be readily accessible to persons of low-income and minority background. There must be a point of entry and a track through the system that presents a minimum of financial barriers. And of course a condition of low tuitions is adequate institutional support through appropriations and gifts.

The Finance of Students: The Role of Loans

If there were a system of generous grants to students, with the amount of the grants proportioned to financial need, then high tuitions would not represent a serious barrier to educational opportunity, though the red tape involved in securing grants might still present an obstacle to low-income and minority-group students. With such a system of grants, opportunity for young people would not be seriously curtailed. However, it is often proposed that loans rather than grants be used to finance students. Specifically, it is proposed that long-term loans—payable by the student over many years or over his entire lifetime—be the principal form of support of students whose families cannot foot the entire educational bill. In my judgment, the case against heavy reliance on loans is compelling.

First, heavy reliance on loans would clearly present a serious obstacle to low-income students. No matter how readily available the loans or how generous the terms, to ask young persons from low-income and minority backgrounds to assume indebtedness of $5,000, $10,000, or $20,000 to get through a program of higher education presents a formidable barrier. The plan might not frighten away middle-income people, but it would surely deter low-income students. To offer loans as the principal means of financing students, at the very instant when America is trying to open up opportunity to millions of low-income young people, would seem to be singularly untimely. As a serious proposal to be presented to minority groups, it is even wanting in elemental tact. It is saying to a young black person, for example, "The opportunity for higher education is wide open. All you have to do is borrow $5,000 or $10,000, whereas your white friends will be supported by their parents."

Second, the plan is highly inequitable as between high-income and low-income students. The student from a high-income family ends up his college career with little or no debt, while the student from the low-income family might have $5,000 to $20,000 of debt, depending on the length and nature of his program. The low-income student who is saddled with the debt is the very one likely to have the least advantage in a career and therefore to start out in life with a double handicap. If one clings to the theory that parents are responsible for the education of their children, then society should step in as surrogate for the children of low-income families whose natural parents cannot assume this responsibility. If colleges and universities are to be financed by high tuitions, the finance of needy students should be based largely (not necessarily wholly) on grants.[1]

Third, from the social point of view, the use of loans does not achieve one of its avowed objectives, namely, to place the cost of higher education upon the students. The true economic costs of higher education consists of the use of resources at the time the education occurs. If these costs are financed by loans, the true economic cost is borne *at*

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[1] In the final section of this paper is a positive proposal involving both grants and loans.

that time by the ultimate lenders, whether they be private savers or taxpayers. They are the ones who give up the needed resources. Later, when the interest and principal are repaid, no economic resources are used and no social cost is involved. Repayment is then merely a transfer payment from debtors to creditors.[1] The fact is that there is no way to levy the cost of higher education on impecunious students. The costs can only be borne by the donors, the taxpayers, or the lenders who pay for the needed resources at the time the education takes place. This being so, it would seem sensible to finance institutions directly by means of gifts and taxes and not go through the red tape of making and collecting loans and putting a large part of the coming generation into debt.

It is true that the loan system might be operated as a kind of revolving fund such that repayments of past loans might be used to finance students then in college. But this system would be of the nature of a special tax on former students to finance present

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[1] Economists will recognize a similarity of this argument to the well-known argument about the futility of trying to transfer the costs of war to future generations.

TABLE 1

Current Income of Higher Educational Institutions, Public and Private (†)
(in millions of dollars)

Year	State & Local Governments	Federal Government	Student Fees	Private Gifts & Grants	Other	Total	Total as Percent of GNP
Amounts:							
1949-50	$ 562	$ 527	$ 396	$ 119	$ 257	$ 1,861	0.8%
1951-52	693	453	448	150	303	2,047	
1953-54	840	420	554	191	352	2,357	
1955-56	998	494	726	246	418	2,882	
1957-58	1,286	712	939	325	500	3,762	
1959-60	1,541	1,041	1,162	383	586	4,713	
1961-62	1,880	1,542	1,505	451	694	6,072	
1963-64	2,368	2,142	1,881	562	837	7,790	
1965-66*	3,050	2,950	2,500	620	970	10,090	
1967-68*	3,600	3,700	3,300	690	1,060	12,350	1.9
1979-80*	8,250	13,200	7,920	1,320	2,310	33,000	2.4
Percentages:							
1949-50	30%	28%	21%	6%	14%	100%	
1951-52	34	22	22	7	15	100	
1953-54	36	18	23	8	15	100	
1955-56	35	17	25	8	15	100	
1957-58	34	19	25	9	13	100	
1959-60	33	22	25	8	12	100	
1961-62	31	25	25	7	11	100	
1963-64	30	27	24	7	11	100	
1965-66*	30	29	25	6	10	100	
1967-68*	29	30	26	5	9	100	
1979-80*	25	40	24	4	9	100	

*Estimated

(†) Source: American Council on Education, *A Fact Book on Higher Education,* p. 73. These figures do not include capital funds, income to auxiliary enterprises, or student aid. "Other" includes endowment earnings, sales and services of educational departments, and related activities. Estimates for 1965-66, 1967-68, and 1979-80 were made by the author projecting on the basis of data from a variety of sources, for example, U. S. Office of Education, *Projection of Educational Statistics to 1975-76* (1966 edition), pp. 9, 59, 73, 82-84; *Fact Book on Higher Education, op. cit.,* pp. 216-23; *Statistical Abstract of the United States,* 1967, pp. 133, 391, 421.

students, the amount of the tax being inversely related to the financial ability of the borrowers at the time they were in college and not related in any way to their present financial ability. I do not find any basis for recommending such a system of finance. The curse of such a system would be lessened if repayments were geared to income as proposed in the Zacharias plan and similar schemes. However, even with this improvement, I do not see any significant advantage of massive loans to students of the kind so often advocated today.

Finance, Power and Academic Freedom

I have presented the case against a model of higher educational finance which includes the finance of institutions by means of tuitions at the level of cost per student, and the finance of needy students by means of long-term loans. I have indicated that the high-tuition feature would be tolerable if needy students were financed mainly by grants instead of loans, but concluded that a model combining low tuitions with grants rather than loans to needy students would be preferred.

The combination of high tuition with student loans has irresistible appeal to hard-pressed politicians because it would relieve the general taxpayer of all or most of the costs of higher education. This model is also attractive to many educators because it would appear to solve the fund-raising problems of institutions. Their only remaining financial problem would be to attract sufficient enrollments. But with this model the finance of institutions would be wholly dependent on students. Students would correspondingly achieve great power over institutions. Traditionally, educators have been suspicious of any plan that concentrates power in any one group or agency, whether it be a few donors, a single federal agency, the state government, or students. It has been widely held that the institutional independence necessary to academic freedom is fostered by diversification of sources of income. It is not clear that students, as a single or principal source of funds, are less likely to repress freedom than any other source of finance. The diversification argument may not be wholly persuasive. There are many examples of donors, singly or in groups, or state governments which have dominated the finances of particular institutions without undermining academic freedom. However, in my judgment, it would be safer for institutions to be financed from a variety of sources, rather than to be utterly dependent on a single source.[1]

To sum up, the disadvantages of the high-tuition *cum* student-loan model are serious—in my opinion, fatal. This model tends to shut off opportunity; it is inequitable as between students of low-income families and those of affluent families; it concentrates excessive power in one group; and it serves no economic purpose since economic costs must be met in the present anyway.

A Concrete Proposal

Having argued against the high-tuition *cum* student-loan model of higher educational finance, I am perhaps called upon to present a concrete counter-proposal. This I have done at some length in another paper which I shall briefly summarize here.[1]

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[1] Various other arguments for the high-tuition/student-loan model are made, among them: (1) institutional diversity would be encouraged, because in attracting students each institution would try to offer programs tailored to the need of its clientele; (2) students would be very free in the choice of institutions and programs; (3) students would value their education because people appreciate what they pay for; (4) institutions would be in direct competition for students and would thus be forced to be efficient so as to offer attractive programs at the least possible cost. These arguments may have merit, but the advantages claimed could be essentially achieved under a system of finance based on low tuitions and grants to students supplemented by loans.

It should be mentioned also that the high-tuition model would provide for only those institutional costs which are related to instruction. The substantial costs involved in research and public service and not closely related to instruction would still have to be met from sources other than tuitions. The institution, then, would not become totally self-supporting through this plan.

My plan was constructed with the objectives of encouraging the institutions of higher education to progress, opening up opportunity for students of all income and ethnic groups, affording reasonable equity in distributing the cost of higher education, and safeguarding the legitimate interests of both private and public institutions. The plan is evolutionary in spirit and builds upon tradition and well-tried practices. It is flexible in that it could easily be adjusted to changing conditions and varying levels of appropriations.

The plan is in three parts: (1) Students would be financed partly by grants based on the difference between a minimal college-going budget and the financial ability of parents and students as determined by a means test. (2) In addition, students would have access to long-term loans, without a means test, to take care of "extras" over and above the minima provided in the grants or the amounts supplied by parents. Both the grants and loans would be provided from federal funds but would be administered by the colleges and universities. (3) Institutions would receive unrestricted grants by which the federal government would share in future increases in cost per student and in the cost of future enrollment growth.

The proposed grants to students would be available to any student showing need. There would be no scholastic requirement except that the student be enrolled full-time in an approved college or university of his choice at any level from the freshman year to the end of graduate or professional study. The amount of the individual grant would be set according to need as measured by the cost of a minimal educational program and the ability of the parents to contribute and of the student to earn. The purpose would be to provide a financial base for any student, regardless of circumstances, to attend college as long as his abilities would permit without his ending up heavily in debt.

In setting the amount of the grant, a budget of needed expenditures for the student would be set and the grant calculated by subtracting from the budget the estimated ability of the parents to contribute and the estimated earning power of the student. The College Entrance Examination Board and the American College Testing Program have developed procedures for administering such a program.

Since the proposed grants would provide only a minimal base of support, to be augmented if necessary by loans, the budget for each student would be tight and would be set by fairly standard formulas and not by elaborate tailoring of each budget to special individual circumstances. For example, the budget might have a fixed sum for transportation which would allow for commuter travel by public conveyance or travel to an in-state residential institution. It would have a fixed amount for books and supplies. The amount allowed for board and room in a residential institution would be set at or below the average cost of supplying board and room by institutions in the area. The amount allowed for board and room for commuter students would be based on the average imputed cost of board and room in a family. The allowance for tuition would not be the tuition charged by the institution attended, but rather some fraction of the average instructional cost at all institutions in the area or in the nation. The various components of the student budget could be adjusted from time to time to reflect changing costs of attending college. The point is that the budget would be *minimal.* It would not enable students to travel from Maine to California to attend college, to live in luxury, or to enroll in high-cost institutions. Its purpose would be to enable any student to get to and through college without heavy indebtedness if he is prudent and willing to make moderate sacrifices.

The grant system described above would, by itself, be fairly restrictive. It would provide only the bare essentials for low-income students and, because of the means test, would do nothing for students from families of middle and upper incomes. Because of its reliance on fairly rigid formulas, designed for simplicity, it might be mildly inequitable in its application to particular cases. This minimal and rigid grant system should be supplemented and reinforced by a national system of student loans to provide flexibility, to meet individual needs and preferences, and to enlarge opportunity. The loan system would carry with it no means test, and hence would be available to persons of all income classes. Loans could be used to finance the extras not available to low-income students from the grants and not available to middle-income students from current family income. Loans could also be used even by upper-income families if they chose to finance education in this way.

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[1] *The Finance of Higher Education,* Carnegie Commission on Higher Education, 1947 Center Street, Berkeley, California, 1968.

The loan system would give students of all income classes flexibility and independence. For example, a low-income student unable to "get by" on his grant could supplement his resources by a small loan; a student whose parents refused to contribute to his education would have a way out; a student wishing to end his dependence upon his parents could emancipate himself; a student who wished to attend an expensive college or an expensive program beyond his immediate means could so choose; a student who wished to enjoy amenities above the bare minima could do so within the limits of his borrowing power; a student wishing to extend his education an additional year could confidently make the decision; etc. These free choices, however, would always entail a sacrifice in the form of eventual repayment of interest and principal and would be restricted by the maximum limits placed on the amount to be borrowed by any student.

The combined grant-loan system would give every young person a chance for as much higher education as he wished and was qualified to receive. The grants would provide this education on a minimal basis without the students having to go into debt. The loans would give the student freedom and flexibility but at the sacrifice of going into debt.

This grant-loan system would exert no onerous controls over the colleges and universities. They would be free to operate according to the wishes of their constituencies. They could offer whatever programs they chose and could support, and charge whatever fees they wished. Students—armed with parental support, grants, and loans—would have free choice of institutions and programs. Institutions would be free to provide whatever supplemental student aid they wished in the form of scholarships, grants, or loans.

The third part of my plan, unrestricted grants to institutions, would enable the federal government to help the colleges and universities meet the *additional* costs of future enrollment growth and of the inevitable future increases in cost per student. A major principle, I think, is that the federal government should not attempt to replace present sources of income to the institutions. It should not relieve the states or donors or students or their parents from present burdens. These burdens are in fact being carried, and the institutions are operating at the most satisfactory level in their histories. To replace existing funds with federal funds would only slow up the potential progress of higher education. The need is for more money—not the relief of existing sources. Indeed, the system should, if possible, encourage existing sources to increase their efforts. Over time, as the national income grows, the states can increase their appropriations, donors can increase their gifts, and students and their parents can increase tuition payments. The federal program should be designed to share in future increases in costs, to help relieve additional burdens, not to assume more of present burdens.

Under my proposed formula for federal aid to institutions, the federal government would pay each institution a fraction (e.g., half) of any increase in cost by reason of enrollment growth and a similar fraction of any addition to cost by reason of generally increasing educational cost per student. The plan would include simple but effective provisions to hold federal outlays to reasonable levels and to give the federal government a position of partnership, but not dominance, in the finance of higher education.

The plan I have presented would provide for diversified support of higher education. The sources of support would include students and their parents, state legislatures, private donors, and the federal government. The share of the federal government would increase over time. But since its contribution would be divided between support of students and support of institutions, and institutional support would be partly in the form of unrestricted grants, the direct power of the federal government over institutions would be held in check. Because of foregone earnings and cash outlays, students would still be the major contributors to the economic cost of higher education.

can the states support higher education in the future?*

John K. Folger

Let us imagine that this meeting of the SREB was being held seven years ago, in June of 1962. If I had told the conference that the Southern states would have to triple their appropriations for operation of public higher education in just seven years, I would have received a cold and disbelieving reception. Even those who believed that it ought to be done would probably have concluded that it would be impossible to accomplish.

If I had gone on to say that this enormous expansion of support in the South, from 477 million dollars in fiscal 1962 to nearly one billion 400 million in 1969 would not quite keep pace with the national rate of increase in appropriations, the audience would have probably dismissed the whole thing as unrealistic.

Of course you've guessed the punch line: Appropriations have almost tripled in just seven years, and the South has increased appropriations at a slightly lower rate than the national average. I am here to talk about the next seven years, and this introduction may be one way to get you to take a careful look at the projections of costs that I will present. They will be startling, but not as startling as the recent history of support for higher education.

A word of caution about any projection is in order. This can best be illustrated by quoting from a publication of the Council of State Governments, entitled, "Public Spending for Higher Education, 1970" which was published in 1965. They projected a 60 percent rise in state expenditures for higher education between 1962 and 1970. The actual increase will be more than three and a half times the projected figures. While a small part of the difference can be attributed to inflation, the major part of the difference is a serious underestimate of the rise in per student expenditures in the past eight years. The point is that even short range projections are hazardous.

This paper will concentrate on state support of higher education, and will not examine in detail possibilities for greater federal support, or higher student fees.

Before we look at the projections, let's look at a few of the significant trends in the growth of higher education in the region.

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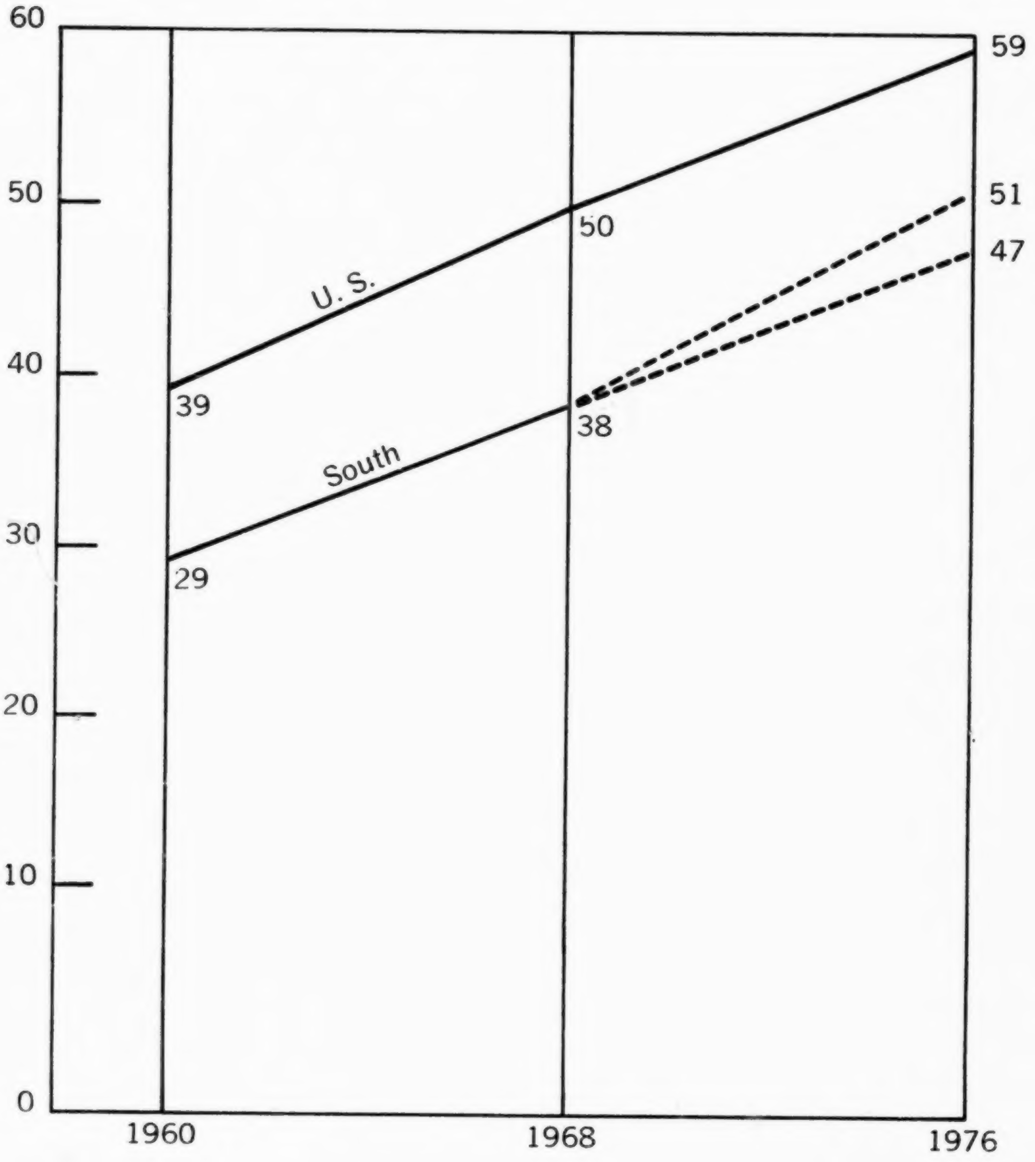
*National, regional and state projections discussed in this paper were prepared by Dr. E. F. Schietinger and the staff of the Southern Regional Education Board. They are trend projections using a standard set of assumptions and will be more appropriate for some states than others. I wish to thank Dr. Schietinger for his invaluable assistance, and absolve him of any responsibility for the interpretations presented, which are solely the author's.

First, the South has a smaller percent of its youth in college than the national average. Because there are fewer students, appropriations for higher education have been lower, but the smaller number of graduates may also have slowed down the growth of high-technology industry, and other sectors of our economy that depend on professional and technical manpower. (See Figure 1.)

FIGURE 1

College Enrollment as a Percent of 18-21 Year Old Population, U. S. and South, 1960-68, Projected to 1976



Maryland, Florida, Oklahoma and Texas exceed the national average in percent of youth attending college, while Alabama, Georgia, South Carolina and North Carolina have a percentage attending college that is little more than half the national average. No state can afford to have so low a percentage of its youth going on to college. Our modern society requires that many young people have advanced education, and the state that remains behind in the education of its citizens will also suffer economically and socially. In general, Southern states which have a high degree of urbanization, higher per capita income, a low percent non-white, and a well developed system of public community colleges provide a college education for a larger percent of their young people.

Although all Southern states, except South Carolina, have made substantial progress in the last decade in increasing the percent of their young people in college, the region has not quite kept pace with the rest of the nation in increasing the percent of their young people going to college. Nationally, the percent attending college rose from 39 to 50 percent between 1960 and 1968; in the South the percent rose from 29 to 38 in the same period. In summary the South is just about a decade behind the rest of the nation in its rates of college attendance.

Most parents expect their children to attend college, and the rising trend of actual college attendance will continue in the future. By 1975 the national attendance percent will probably be 59-61, while the regional percent will be 47-51. This will mean an enrollment of about two and a half million by 1975 in the South, with about 2 million of these in public institutions (Table 1). This will amount to an increase of almost 700,000 students in Southern public colleges and universities, which is about a 55-60 percent increase in enrollment over the current year (1968-69).

TABLE 1

Fall Enrollment at Public Institutions, with Low and Optimum Projections to 1975

State	1957	1968	1975 Projections Low	 Optimum
United States	1,762,726	4,928,320	6,559,000[a]	6,761,000[b]
SREB States	491,204	1,331,728	1,885,000[b]	2,098,000[c]
South as Percent of U. S.	28.4	27.0	28.7	32.0
Alabama	30,449	74,106	102,000	117,000
Arkansas	16,684	38,382	52,000	59,000
Florida	29,083	139,126	251,000	256,000
Georgia	31,736	82,842	119,000	148,000
Kentucky	25,397	68,954	84,000	93,000
Louisiana	32,873	94,639	142,000	149,000
Maryland	24,504	85,371	137,000	145,000
Mississippi	22,339	55,897	72,000	83,000
North Carolina	31,066	82,651	106,000	134,000
Oklahoma	38,727	82,043	103,000	103,000
South Carolina	15,467	29,457	30,000	55,000
Tennessee	32,287	81,159	113,000	123,000
Texas	107,092	284,913	406,000	431,000
Virginia	33,526	86,772	121,000	154,000
West Virginia	19,974	45,426	52,000	53,000

[a] USOE projection.
[b] Projection of 1960-68 trend.
[c] "One-third catch-up" with U. S. college attendance rate.

This brings us to the second characteristic of Southern higher education, the dominant position of public, as compared to private, higher education. Three out of four Southern college students today are enrolled in public institutions, a substantial increase over the percentage ten years ago, and a larger percent than the national average. (See Table 2 and Figure 2.) Private higher education costs the taxpayers much less, and the parents much more. Society gets the benefits of the graduates of private colleges, but provides only minor support to the costs of their education. Only three Southern states, Tennessee, South Carolina and North Carolina have a larger percent of their students in private institutions than the national average, and so all the rest of the SREB states have a larger than average share of the total higher educational load.

TABLE 2

Public Enrollment as a Percent of Total Enrollment with Low and Optimum Projections to 1975

State	1957	1968	1975 Projections Low	1975 Projections Optimum
United States............	58.0	70.6	72.4[a]	72.4[a]
SREB States..............	65.0	76.3	79.6[b]	81.3[b]
Alabama..................	73.3	81.0	82.3	84.2
Arkansas.................	78.5	77.0	82.5	84.3
Florida..................	54.4	76.3	82.6	82.8
Georgia..................	69.5	77.5	79.9	83.1
Kentucky.................	64.3	74.8	72.4	74.4
Louisiana................	67.8	83.1	85.5	86.1
Maryland.................	55.4	72.7	80.1	81.0
Mississippi..............	79.9	86.7	90.0	91.2
North Carolina...........	53.0	63.6	62.9	69.1
Oklahoma.................	75.6	81.1	83.1	83.1
South Carolina...........	55.4	62.6	60.0	73.3
Tennessee................	59.8	68.4	74.3	75.9
Texas....................	64.3	79.7	83.2	84.0
Virginia.................	68.6	76.1	78.1	81.9
West Virginia............	77.2	79.1	80.0	80.3

[a] USOE projection.

[b] Low and Optimum projections both assume number projected for private institutions in SREB *Fact Book on Higher Education in the South,* 1968.

TABLE 3

Total Income for Student Education, Public Institutions, and Projections to 1975-76 (in thousands)

State	1957-58	1965-66	1968-69 [a]	1975-76 Projections A [b]	1975-76 Projections B [c]
United States.....	$1,941,299	$5,198,300	$8,324,000	$15,676,000	$16,159,000
SREB States.......	542,032	1,398,145	2,136,000	3,964,000	5,177,000
South as Percent of U. S..........	27.9	26.9	25.7	25.3	32.0
Alabama..........	33,610	87,115	145,000	265,000	344,000
Arkansas..........	21,642	39,853	50,000	73,000	125,000
Florida............	36,298	136,793	245,000	607,000	672,000
Georgia...........	34,204	85,614	139,000	264,000	363,000
Kentucky..........	24,078	84,789	119,000	186,000	239,000
Louisiana.........	40,350	91,434	130,000	232,000	385,000
Maryland..........	32,936	88,429	133,000	282,000	330,000
Mississippi........	21,395	57,024	77,000	127,000	171,000
North Carolina....	43,862	112,247	183,000	324,000	440,000
Oklahoma.........	34,271	74,555	95,000	142,000	184,000
South Carolina....	17,773	41,719	68,000	91,000	204,000
Tennessee........	27,908	76,020	111,000	209,000	245,000
Texas............	109,055	282,850	439,000	866,000	976,000
Virginia..........	45,246	91,619	134,000	204,000	381,000
West Virginia......	19,406	48,084	66,000	91,000	118,000

Note: Student education income is here defined as educational and general income less federal research funds.

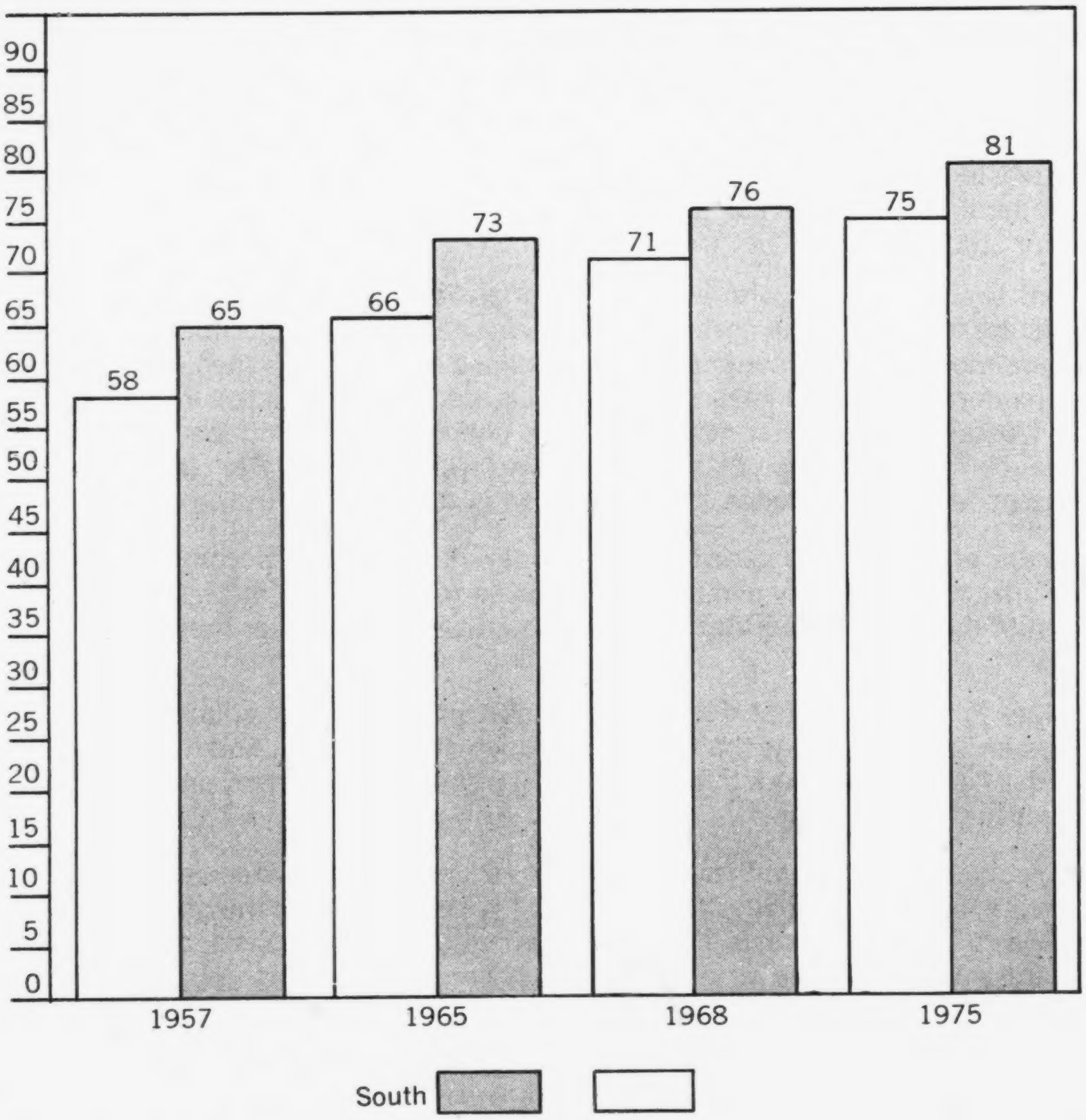
[a] Actual enrollment times per student estimate.

[b] Low enrollment projection (Table 1) times lower per student projection.

[c] Optimum enrollment projection (Table 1) times higher per student projection.

FIGURE 2

Public Enrollment as a Percent of Total Enrollment, U. S. and South, 1957, 1965, 1968 and 1975



The private sector of higher education in the South is in more serious financial difficulty than is generally recognized. Private institutions have had to increase tuition rapidly to meet rising costs, and this has had the effect of limiting the number of students who could afford a private education. In the last three years, the number of freshmen entering private institutions has gone down five percent nationally, seven and a half percent in the SREB states, and has declined more than 10 percent in Arkansas, Georgia, Kentucky, Maryland, Tennessee, Texas and West Virginia. In contrast, freshman enrollment has continued to increase in the public institutions in all of the Southern states except West Virginia, where there has been a very slight decline in the number of freshmen in the last three years.

A decline in enrollment in the private institutions will shift more of the burden onto the public institutions, and the taxpayers will wind up paying for the college education of more youth. Of equal concern will be the loss of a number of private institutions and their capacity to provide educational opportunities to youth.

The problem of support of private higher education is a very complex one to deal with, but it should not be decided by default.

Private institutions can be divided into several groups, based on their financial condition. First are the well supported, highly selective, high prestige private universities and liberal arts colleges. The universities in this group have received a great deal of support from the federal government, and have become national universities, in support, as well as outlook. The high prestige liberal arts colleges send most of their graduates to graduate and professional school, and have the same national, rather than regional, outlook that the universities have. In this group of private institutions enrollment is whatever they want it to be because they still have more applicants than they can accept. They are not in need of state aid to survive, although they will have to have either increased federal aid, or state assistance, or both, if they are to continue to compete effectively for students.

Second are the institutions who are solvent financially, but who are having more and more difficulty meeting rising costs. In our region most of these are liberal arts colleges, and they are mostly church supported, which raises some legal issues when public support is considered. Up until recently, they have not been interested in public support, and their trustees and other constituents have cherished their independence. But they are in financial trouble now, and will be in even more trouble later. If they do not get more state or federal assistance, they will be in great difficulty in the next decade.

Third are the poor and very poor colleges. Some of these have become accredited but many are unaccredited. They should be allowed to go out of existence as quietly as possible. Most of them are desperate for support, and will do whatever they can to get state support.

The problem for the state that decides to support private higher education is to distinguish between the institutions that provide an adequate program, and those that provide a substandard one, and to work out a basis for supporting the former, and not throw good money after bad in the latter.

The prior problem in most Southern states is to recognize that there is a problem of support in private higher education. Our states need to recognize that the private institutions probably won't be able to solve their financial problem themselves, and if they can't continue, the public will have an even larger number of students to support in the public institutions.

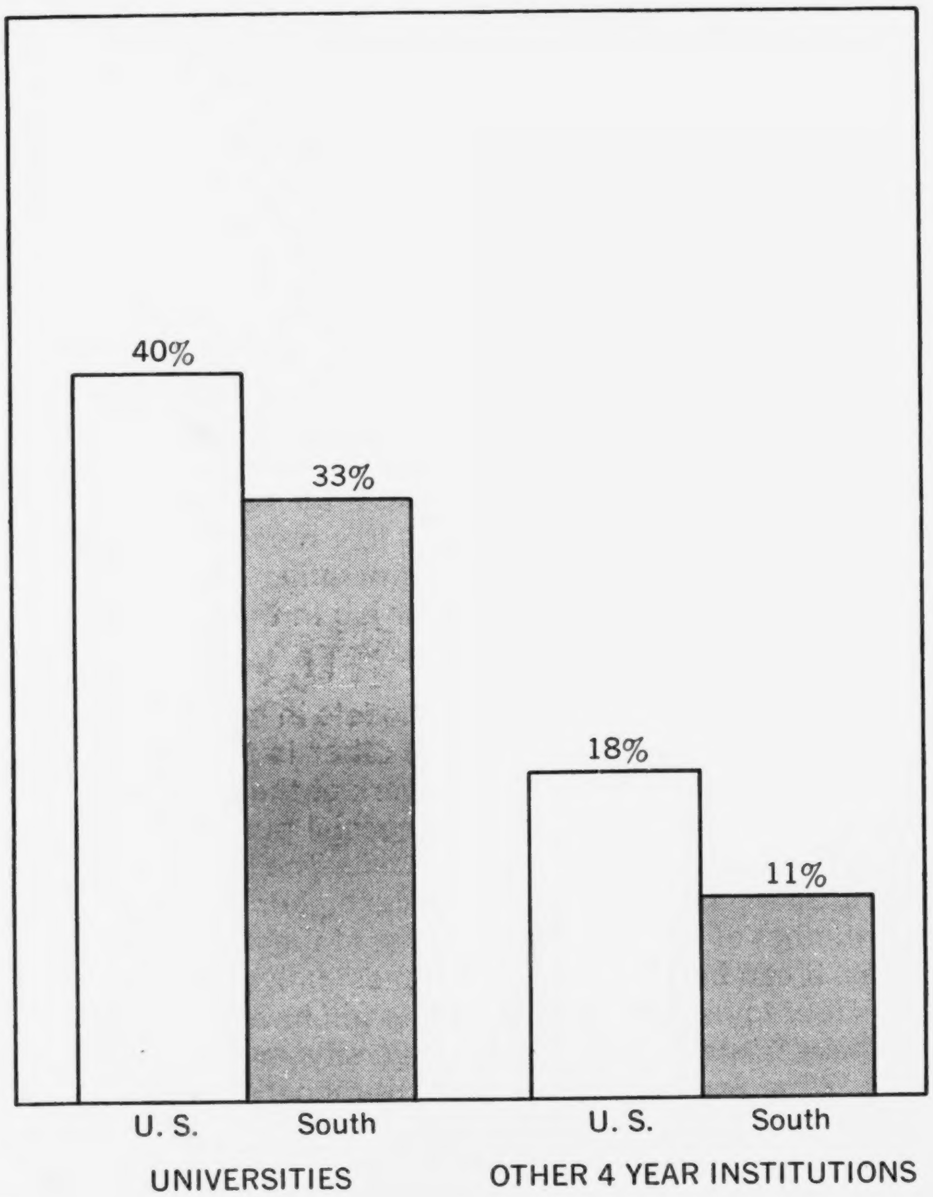
A third financial problem for Southern higher education arises from the delayed development of graduate education in the region. At the end of World War II the South's graduate schools were smaller and weaker than those of any other part of the country except the Rocky Mountain states. New, high-technology industries such as nuclear and petrochemicals had to import scientists, for the South was training less than half the number needed for employment in the region. This situation has changed. Nearly every state has expanded its doctoral output tremendously. Between 1960 and 1968 the number of doctoral degrees awarded increased 125 percent nationally, from 9,800 to 22,200 a year, while in the South they increased from 1,770 to approximately 4,200, about a 135 percent increase. While the South has not caught up with the national rate of doctoral production, it has made big strides in expanding its graduate schools.

It is well known that graduate education is much more costly than undergraduate education, although the precise magnitude of the difference is hard to determine because the record keeping practices of our universities obscure the differences by lumping undergraduate and graduate costs together. Estimates indicate that graduate programs are between two and 10 times as costly as their undergraduate counterparts, and in a few specialized scientific fields, the differential may be even greater than 10 to one.

These higher costs of graduate education have been bearable because (a) graduate programs were concentrated in only one or at most a few public institutions in each state, and (b) the federal government was providing most of the money for the expansion of research and graduate education in our universities. Figure 3 shows that 40 percent of the total state and federal tax dollars in the major public universities in 1966 came from the federal government. Most of this money was for the graduate and professional programs and for research in the universities. The South, with fewer prestige universities and relatively smaller graduate programs, gets a smaller share of its university support from the federal government.

FIGURE 3

Percent of Total Tax Dollars from the Federal Government in Public Universities 1965-66



At the end of World War II there were only 13 universities in the region that were involved in graduate work in a major way. Twenty years later, in 1967, there were 33 major doctoral institutions, and there were 60 institutions in the region offering doctorates. We can expect that an additional 10 to 15 schools in the region will begin offering doctoral degrees by 1970. Even more important, the annual output of doctoral degrees from Southern universities increased six fold between 1950 and 1966, from 550 to 3,300, and the output will more than double again between 1966 and 1975. By 1975 Southern universities will probably be awarding between 7,500 to 8,500 doctorates a year. In 1950 only eight percent of the national output of doctorates came from institutions in the South, by 1966 this had reached 18 percent, and by 1975 it will probably be over 20 percent. This rapid increase in the number of doctoral degrees awarded and the number of institutions awarding doctoral degrees is causing some reappraisal of the federal role in supporting graduate school expansion. For example, Kenneth Pitzer, a member of the President's Science Advisory Committee, recently said in an address to the American Chemical Society:

> In my opinion, we should make it abundantly clear that we now have enough or more than enough centers for doctoral study and research and that no encouragement will be given from federal sources to new centers or to those presently of marginal quality. The states should be urged, through their individual coordinating mechanisms, to control the number of state colleges and universities that are authorized to offer the Ph.D. degree. (*Chemical and Engineering News,* April 21, 1969, p. 73)

The pressures for more institutions to enter the doctoral field will continue to be strong in most Southern states. Federal support for this expansion is likely to be much harder to get in the future, especially in the sciences and engineering, where the federal government does not seem to be willing to continue support for the existing programs, much less provide the money to pay for launching new programs.

If additional institutions begin doctoral work it seems likely that they will nearly all be public rather than private, and that state, rather than federal funds will be the main source of support. A strong case can be made for the proposition that most, if not all Southern states, would get bigger dividends from greater investment in existing doctoral universities, rather than from support of more institutions at the doctoral level. The South has always had more than enough weak and poorly supported graduate programs, a greater concentration of support in existing programs would be a much wiser investment of resources. It appears that we now have the institutional capacity to supply the doctoral and other advanced degree graduates that the region will need during the next two decades, except in a few specialized areas like medicine and dentistry, and since many of our present doctoral institutions are operating below an efficient enrollment level, it will be better to concentrate on a better job in the doctoral institutions we now have rather than to spread ourselves thinner.

Our problem is that we have only two success models in public higher education. One is the comprehensive community college and the other is the comprehensive university. Unless a university offers advanced graduate work at the doctoral level, it can't qualify as a comprehensive university. We have a few special purpose institutions like Georgia Tech, but they are the exceptions that prove the rule. The liberal arts college, focused on undergraduate education, is primarily a private higher education development, and while there are a number of public colleges, most of them seem to be on the way to becoming universities. It can be accepted as an almost universal proposition that the state college that enrolls four to five thousand students will have several professional schools, will be seeking to have its name changed to university, and will have plans for initiating doctoral programs. What we need is a new institutional success model, one that isn't spelled "Ph.D.," but instead is concerned with preparing, on the undergraduate level, young people to work in a complex and uncertain future. We need a success model that can transform faculty and Chamber of Commerce pressures for bigger and more specialized institutions into a concern for excellence in undergraduate education. In a rapidly changing world, much specialized education will rapidly become obsolete, but every student will need the ability to think for himself, to analyze problems, and the ability to relate the issues of the day to a clear and well thought out set of values. These educational goals are often called "a liberal education" and our institutions need to devote more of their attention to these goals, and less to specialized and graduate education.

It seems unlikely that many of our emerging universities will change their goals in new directions. Therefore, the South will probably develop more graduate universities and programs than are needed in the region.

The possibilities for economies exist, if we have the will to plan and manage our university development in that direction. But a realistic projection will include the assumption that the trend for more institutions to enter the graduate field will continue, and it will contribute to the rising costs of higher education.

What do all of these trends add up to in requirements for state support of higher education in the next seven years? In the last seven years per student appropriations have increased five to seven percent a year—part of this was inflation (between two and three percent a year) and the remainder was an increase caused by rising faculty salaries and more students enrolled at the graduate and professional level where costs are higher. Per student appropriations in the South are at the same approximate level as in the nation, and have been rising at about the same rate. Appropriations were a little over $1,000 per student in the South in 1968-69 and are projected to rise to the $1,400-$1,600 level of per student appropriation by 1975-76, if present trends continue. When the per student appropriations are multiplied by the projected enrollment in the fall of 1975, we come up with low projections of total appropriations required of two billion, 448 million dollars and a high projection of three billion, 593 million (See Table 4 and Figure 4.) The low projection represents about a 79 percent increase in seven years, less than

TABLE 4

Total State Operational Appropriations for Higher Education with Projections to 1975-76 (in thousands)

State	1957-58 [a]	1965-66 [b]	1968-69 [b]	1975-76 Projections	
				1 [c]	2 [d]
United States......	$1,128,895	$3,037,864	$5,041,000	$9,500,000	$10,824,000
SREB States.......	320,722	814,705	1,368,194	2,448,000	3,593,000
South as Percent of U. S...........	28.4	26.8	27.1	25.8	33.2
Alabama...........	15,445	40,327	58,462	105,000	132,000
Arkansas..........	14,281	28,722	44,547	61,000	104,000
Florida.............	29,313	95,476	156,645	377,000	444,000
Georgia............	15,340	50,859	103,091	193,000	345,000
Kentucky..........	11,183	49,507	82,350	125,000	176,000
Louisiana..........	34,455	72,318	99,222	155,000	257,000
Maryland..........	20,170	48,217	79,742	166,000	199,000
Mississippi........	10,127	25,931	47,804	76,000	111,000
North Carolina.....	23,876	60,489 [a]	114,709	205,000	337,000
Oklahoma..........	22,003	41,867	52,858	77,000	105,000
South Carolina.....	12,368	21,403	39,645	54,000	136,000
Tennessee.........	14,945	41,106	73,106	139,000	189,000
Texas..............	61,860	165,301	259,425	494,000	644,000
Virginia............	19,484	40,830	107,524	154,000	328,000
West Virginia......	15,874	31,805	49,033	67,000	86,000

[a] USOE Biennial Survey.

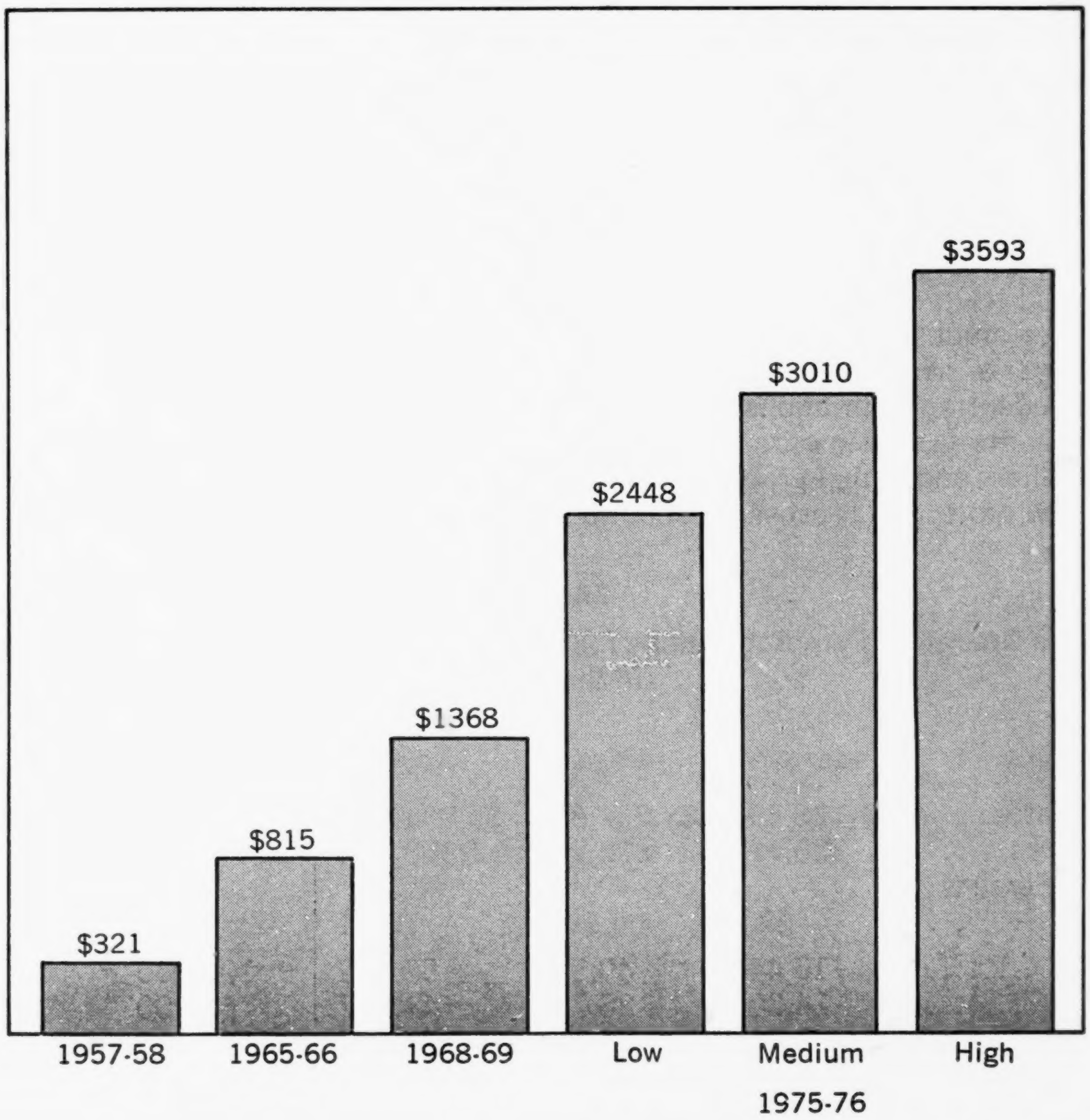
[b] *The Grapevine.*

[c] Estimated state share of student education income applied to Projection A in Table 3, or projection of trend in appropriations per student, whichever is lower.

[d] Estimated state share of student education income applied to Projection B in Table 3, or projection of trend in appropriations per student, whichever is higher.

FIGURE 4

Total Appropriations for Operations, SREB States, 1958-69 with Projections for 1975-76
(in millions)



half the rate of increase that occurred in the last seven years, while the high projection represents a 162 percent increase, still somewhat lower than the 187 percent increase that occurred in the last seven years.

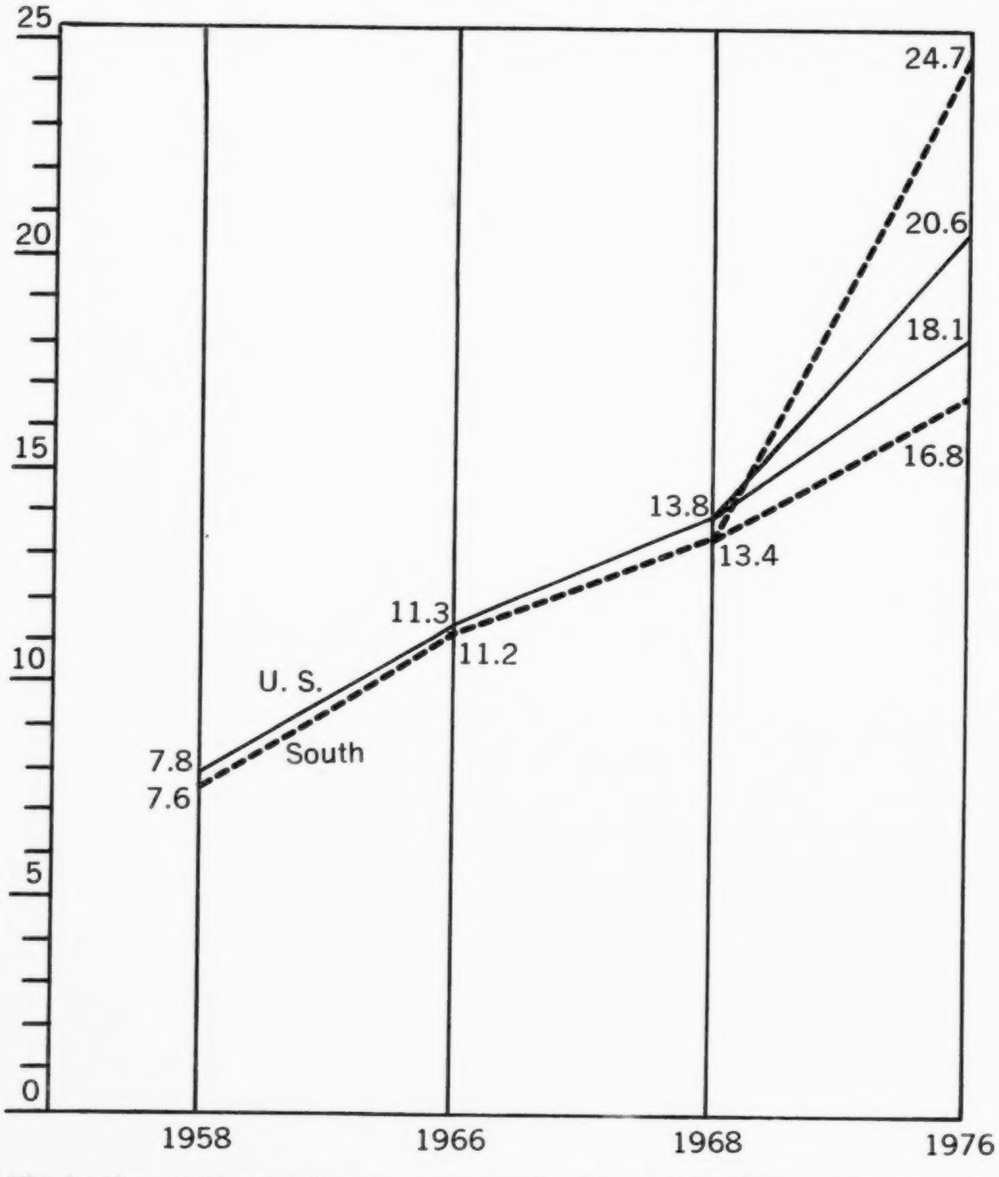
For simplicity in discussion, I will talk about a middle projection, about half way between the high and low projections of Table 4. If any of you are interested in the details of the assumption involved, these can be provided, but the middle projection is essentially a trend projection of increasing costs per student, which is applied to the optimum projection of enrollment. This medium projection provides for about a 120 percent increase in appropriations in the next seven years, about two-thirds the rate of increase that occurred in the last seven years. Total appropriations for higher education in the region would be about three billion in 1975-76. The medium projection also provides for about a five to six percent increase each year in per student appropriations, about the same rate of increase that has occurred in the last seven years. Whether these rates of increase will be adequate to develop the many new graduate programs of the region is problematic, but the medium projection would provide for the enrollment increases expected at about the same quality level that we have now.

Is it reasonable to expect a three billion dollar level of appropriations seven years from now? This would be one billion, 630 million dollars more than is currently being appropriated. Even though it is a lower rate of increase than we have had in the last seven years, the dollar amounts are much larger. To put these increases in perspective, we have to compare them with the tax base and the rate of growth in taxes, and in the share of tax revenues that go to higher education.

Higher education appropriations have required a relatively small, but rising percent of total state tax revenues. In 1958 the Southern states appropriated an average of seven and a half percent of tax revenues for higher education, which did not differ much from the national average (See Figure 5). By 1968 appropriations for higher education in the region were averaging about 13½ percent of tax revenues, still about the same percent as the national average. If no new taxes are levied, and no tax rates are changed, then economic growth will be the only source of increased tax revenues. Under the assumption of no new taxes, a three billion dollar level of higher education appropriations in 1975-76 would require about 21 percent of the total state revenues.

FIGURE 5

Appropriations for Higher Education Operations as a Percent of Tax Revenues, U. S. and South, 1958 to 1968, with Projection for 1975-76



It seems unlikely that with the increasing costs of health and welfare programs, as well as rising costs of other government programs, that the share of taxes going to higher education can be increased very much. If any increases are possible, they probably will be much smaller than the 21 percent of tax revenues that would be required to fund higher education with no new taxes.

So we can turn the question around and ask, "If higher education continues to receive only 13½ percent of current tax revenues, how much increase in taxes will be required to fund the growth of higher education by 1975-76?" The answer is approximately one billion dollars. A continued moderate to high level of growth in the economy of the South would provide about 600 million more in appropriations for higher education from current taxes, and an additional one billion would be required from new tax revenues. This sounds like a lot of money, and of course it is, but it would represent only about a seven percent increase in total state tax revenues. That is, if taxes to bring in an additional seven percent in total revenue were levied, and if they were all provided for higher education, then support would be at about the three billion dollar level by 1975-76.

We have not made detailed projections of the economic growth in each state, but it does not appear that any Southern state will be able to finance its expansion of higher education in the next seven years from the growth of existing state tax revenues. Even West Virginia, where a relatively small enrollment growth is anticipated, will almost certainly have to provide a larger share of existing tax revenues, or some new taxes to finance even its modest growth (Table 5). Some other states, like Florida, Georgia and North Carolina will have much larger requirements because of more rapid growth in enrollment. These states are growing at above average rates economically too, but the education requirements are growing faster than the economy.

TABLE 5

Higher Education Operational Appropriation Projections to 1975-76 as a Percent of Tax Revenue Projected at Current Rates; Corresponding Deficits Against Funds Available, Given Current Higher Educational Share of Tax Revenues

State	1975-76 Appropriations as a Percent of Taxes		1975-76 Deficit, Given Tax Revenues Projected at Current Rates (in 000's)	
	1[a]	2[b]	1[a]	2[b]
United States	18.1	20.6	$2,557,000	$3,589,000
SREB States	16.8	24.7	496,000	1,615,000
Alabama	13.5	17.0	12,000	39,000
Arkansas	13.6	23.4	3,000	46,000
Florida	21.8	25.6	124,000	191,000
Georgia	14.4	25.8	59,000	212,000
Kentucky	16.9	23.8	7,000	58,000
Louisiana	14.0	23.2	6,000	108,000
Maryland	15.1	18.0	49,000	82,000
Mississippi	15.4	23.2	17,000	52,000
North Carolina	15.2	25.0	34,000	156,000
Oklahoma	12.2	16.8	4,000	32,000
South Carolina	8.4	19.0	—	65,000
Tennessee	17.5	23.9	40,000	90,000
Texas	22.2	29.0	105,000	255,000
Virginia	15.0	32.0	34,000	208,000
West Virginia	16.1	20.9	2,000	21,000

[a] Applying 1 projections of Table 4.

[b] Applying 2 projections of Table 4.

In the final analysis, it comes down to what the people and the legislatures want to do about supporting public higher education. In 1967, total state and local taxes were 91 dollars per thousand dollars of personal income in the SREB states. Expressed another way 9.1 percent of personal income in the region went for state and local taxes. Nationally, the average tax burden was 98 dollars per 1,000 dollars of personal income. Thus state and local tax burdens in the South were slightly lower than the national average in relation to ability to pay. Only Mississippi, Louisiana and Oklahoma among the SREB states had state and local tax collections that were above the national average percentage, although several other states were close to the national average.

It is interesting to note that the addition of about a billion dollars in new taxes for higher education in the next seven years would bring the region just about to the national average in tax effort, because the SREB states are about eight percent below the national level of taxes per thousand dollars of personal income. These figures on state and local tax revenues are misleading because the key question for higher education support is the level of state effort. Nearly all higher education support is provided from state, rather than local, taxes. What we have in the South is above average state tax collections (Table 6), much below average local tax collections, when added together they make a total state and local tax effort that is below the national level of effort. The Southern states generally have lower assessments on property, and property taxes are the main stay of local tax revenues.

TABLE 6

Tax Revenue as a Percent of Personal Income; Operational Appropriations for Higher Education as a Percent of Tax Revenues

State	Taxes as a Percent of Personal Income			Appropriations as a Percent of Tax Revenue		
	1957-58	1965-66	1967-68	1957-58	1965-66	1967-68
United States	4.2	4.9	5.1	7.8	11.3	13.8
SREB States	5.2	5.7	5.7	7.6	11.2	13.4
Alabama	5.4	6.3	6.3	6.7	9.6	12.0
Arkansas	6.0	6.1	7.2	11.4	13.2	13.0
Florida	4.9	5.4	5.1	7.8	12.5	14.6
Georgia	5.7	5.7	7.7	4.9	9.3	10.0
Kentucky	4.5	6.0	6.0	5.6	12.7	16.0
Louisiana	7.4	7.8	7.7	9.2	12.4	13.5
Maryland	4.0	4.9	5.1	8.0	9.1	10.6
Mississippi	7.4	7.1	6.9	6.3	9.7	11.9
North Carolina	6.2	6.8	6.9	6.5	11.1	12.7
Oklahoma	6.3	6.3	6.1	9.3	11.7	11.7
South Carolina	6.5	6.5	6.9	6.7	6.9	8.9
Tennessee	5.5	5.5	5.5	5.6	9.5	12.5
Texas	4.0	4.8	4.5	9.4	13.9	17.5
Virginia	5.0	4.5	5.0	6.2	8.5	11.7
West Virginia	5.2	6.5	6.7	10.2	13.2	15.8

The greater than average state tax effort in the South makes the problem of new tax revenues for higher education more difficult than it might be otherwise, but it still comes back to the willingness of the taxpayers, and of the citizens, to provide the necessary funds. There is no basis on which we can say that the addition of a billion dollars in new revenues for higher education in and of itself represents an unmanageable goal for the Southern states. In only a few states would provision of the necessary tax revenues push the state above the average level of tax effort in the nation as a whole. But whether the governors and legislators can be convinced that new taxes for higher education are more important than competing demands for health, public safety, welfare, highways, and other state functions will depend on the value that they, and the general public, place on higher education and the services it renders to society.

In the postwar era, higher education has enjoyed widespread public confidence and esteem, and it has benefited financially as a result. There has been considerable speculation on the effect that demonstrations and disorders on the campus will have on the appropriations process. What is even more difficult to predict is the longer run effects of changes on our campuses. Students are likely to continue to seek a larger voice in their education and in the rules of conduct on the campus. The conflict between the generations is as old as time, but it has become more intense in recent years, and the campus has become a popular arena in which the generations confront each other. The underlying conditions which contribute to campus unrest are likely to continue in the future, even if actual violence and disruptions of the educational process are controlled.

Public and legislative attitudes toward a changing order in higher education could have a major effect on the level of appropriations. We can't project these effects very reasonably, and a very wide range of possibilities exists. We have presented a trend projection, which would keep higher education appropriations growing in about the same way they have been expanding in the past decade. A wide range of reasonable alternatives is also presented. How higher education will actually fare in the arena of pressures and counter pressures that constitute the democratic process will depend on you and your successors. On behalf of the younger generation, I hope your efforts continue to be as successful in the future, as they have been in the recent past.

what is the responsibility of state government?

L. Felix Joyner

The first two speakers have described and analyzed who pays for higher education and what the demands for financing higher education in the 1970s will be. The states have traditionally had the responsibility for financing public higher education. I would like to set forth some impressions about the ability of state governments to continue to shoulder the brunt of this responsibility. My basic impression is that the share of state funds currently devoted to higher education represents about the ultimate support the states can or will supply.

This impression is buttressed by the imbalance in the revenue structure and the competing demands for state monies. In synopsis, the states are pretty much restricted to regressive consumption taxes. Such taxes seem to have a relatively low toleration level beyond which the public becomes discontent. This discontent means that expanded use of these revenue raising devices is politically unpalatable. The relative inability to raise new taxes means that higher education is likely to have to content itself with the existing share of state money.

The problem is compounded by the increasing insistence for support of competing demands for state dollars. Society is demanding more for its disadvantaged members. Developmental efforts are also requiring more funds. These competing demands restrict the state's ability to transfer new funds generated by the existing revenue structure exclusively or even predominantly to the higher education function.

In the next few minutes I would like to examine these impressions in some detail and to suggest some alternative actions which may help the states to shoulder their responsibility.

I reiterate that my remarks are much more in the nature of observations than definitive analysis or evaluation. This is for two reasons—first, I am a better observer than I am an "analyzer" and, second, I believe that the problem lends itself only in a limited way to analysis.

I say this because I believe that one cannot discuss from afar or very objectively "the state's responsibility." That dollar figure, or that percentage of the total, or whatever measure one might wish to put on the responsibility, in the last analysis amounts to what the individual states want to do and can do. In other words, the state's "responsibility" in any enterprise, financed jointly or alone, is what that state wants its responsibility to be, translated every year, or every other year, into appropriations by a legislature.

The state's ability to absorb the increasing costs of higher education seems to me limited to about what the states are doing today. Make a few exceptions, give or take a few million dollars here or there, and I believe that higher education can expect to receive in the next few years about the same share of the state's tax revenue that it receives today. This conclusion is, of course, most subjective and varies substantially from many other judgments that have been put forward in the past few years. I say this because I think that state and local governments are approaching the ends of their string in terms of total taxing ability and because of the strength of competing demands for state resources.

The overall tax problems of state and local governments have been broadly discussed in the past several years—fiscal imbalance has become a familiar term—and in spite of significant differences of opinion as to the proper solution of the imbalance, there now appears to be major agreement that there is a basic problem. This problem has been stated clearly and concisely in the Advisory Commission on Intergovernmental Relations report, *Fiscal Balance in the American Federal System,* released almost two years ago. The *Introduction* to the report states:

> Much of the fiscal imbalance within our federal system can be traced to a revenue support for state and local governments that is something more than a three-legged stool, but less than a sturdy four-legged structure. Three powerful fiscal instruments now underpin most of state and local governments' response to America's major domestic government needs. These governments depend on property taxes (26 billion dollars), consumer levies (21 billion dollars), and federal conditional grants (17 billion dollars) to finance their burgeoning obligations—the education of our youth, the care of the poor, the provision of streets and highways, and the maintenance of law and order in our communities. While increasing at a relatively fast rate, the revenue support provided by income taxes (7 billion dollars) still falls far short of that provided by the "big three" state and local revenue sources.
>
> The relatively poor support performance of the state income taxes has prompted "revenue sharing" advocates to urge the Congress to build up this "fourth" leg of the state-local revenue support system with some of the proceeds from the federal income tax by earmarking it for state and local governments on a "no strings basis." In the view of these advocates, adoption of this policy would promote a more equitable and balanced use of revenue instruments, enhance the ability of state and local governments to solve their own problems, reduce fiscal imbalance between the national government and state-local governments—an imbalance attributed to the national government's superior tax gathering resources in general and to its intensive use of the income tax in particular. Its advocates view revenue sharing, the infusion of federal income tax revenue into the state and local revenue system, as a fiscal innovation that is necessary to protect the

> political integrity of a decentralized system of government. Without a stronger revenue base state and local government will not be able to underwrite the nation's growing expenditure demands.
>
> Several significant developments strengthen the case for those urging a "new deal" in intergovernmental fiscal arrangements. Confronted with unremitting expenditure pressures, state and local policy makers have demonstrated remarkable political courage in raising taxes in general and property and consumer levies in particular. In less than 20 years, state and local property and consumer levies have increased almost fivefold, from eight billion dollars in 1946 to 47 billion dollars in 1967. Over half of this unprecedented increase is directly attributable to new and increased taxes; less than half to the response of old taxes to national growth.
>
> This heavy pressure on property and consumer levies poses sharp equity and fiscal problems. Unless the subsistence of low income families is shielded from the reach of property and sales tax collectors, the productivity of these powerful revenue instruments is bound to be jeopardized by growing public protest. The demand of elderly homeowners for property tax relief is becoming especially strident, and public opposition to bond issues is becoming more apparent.

A more specific look at taxation at the state level is provided by the January issue of *Tax Administrators News,* which in summary reveals the following:

> State Tax Rates Up In All Fields
>
> In the past 10 years, from 1959 through 1968, there were 309 rate increases and 26 new adoptions in the six major state tax fields as surveyed by the Federation of Tax Administrators. The six major state tax fields are sales, personal income, corporation income, motor fuel, cigarette and alcoholic beverages.
>
> Sales taxes have predominated among the new levies since 1958. The 26 new taxes included eleven sales taxes, four personal income taxes, a commuters' income tax in one state, four corporation income taxes, four cigarette taxes, and two alcoholic beverage taxes.
>
> By far, the tax raised most frequently over the 10-year span was the cigarette tax. This tax rate was increased 96 times by 45 states. It was upped four times by Illinois, Iowa and New Jersey; three times by Alabama, Connecticut, Idaho, Maine, Minnesota, New York, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Vermont, Washington and Wisconsin; and twice by 16 other states.
>
> Alcoholic beverage taxes were increased 56 times by 39 states—three times by four states and twice by eight states and the District of Columbia.

Sharing heavily in these growing revenues has been higher education. This has been particularly true in the South. The Southern Regional Education Board reports that:

> Over the past two years, the South averaged a greater rate of increase than the nation as a whole in state appropriations for higher education's operating expenses. The two-year gain was 45 percent in the region, 43 percent nationwide.
>
> Over the past eight years, the South has paralleled—but not quite matched—the national increase in operational appropriations, with 229 percent against 233.
>
> These figures indicate that the region is just about keeping pace with the nation in the growth of expenditures for public universities and colleges.

The real squeeze, however, is revealed in another report of SREB which shows that the South's percentage of total personal income devoted to state support of higher education is higher than the national average. The raw figures are enough to give one pause, but when one considers the difference in per capita income the polite phraseology of the ACIR report in reference to the taxes which support state governments "the productivity of these powerful revenue instruments is bound to be jeopardized by growing public protest" can be brought home in more concrete terms to the political leadership which must assume the responsibility for enacting new taxes.

Fiscal capacity is a measure designed to reflect the resources which a jurisdiction can tax to raise revenue for public purposes. Tax effort is a closely related measure of the extent to which a government actually uses its capacity to raise revenue through taxation.

The capacity of a people to contribute to the support of their government is determined by many factors including the population's total resources—its income, wealth, business activity, the demands made upon these resources; and the quantity and quality of governmental services provided. The evaluation of some of these factors involves subjective judgments. The level of taxation voters deem to be reasonable and their political leadership finds acceptable depends, in addition to the factors cited, upon innumerable less tangible elements of time and circumstance. The willingness to pay taxes is likely to be greater if the particular tax, at a specific rate, is regarded as fair; if the public need for the program is acute; and if the governmental program has widespread public support.

Fiscal capacity is difficult to measure in absolute terms, but a number of definitive studies, particularly those of the Advisory Commission on Intergovernmental Relations are most revealing, especially in regard to the relative fiscal capacity of states or local governments to finance public functions. The commission has used a number of methods for such measurement and has provided, en toto, a comprehensive picture of the state-local problem throughout the nation.

What of the South? By almost any measure of fiscal capacity, or ability to produce tax revenue, the southern states are the lowest. Nine of the 15 SREB states rank lowest on personal income and on taxable capacity, two others are among the bottom 12 in one or the other of the two categories.

To deal very briefly with tax effort—and I submit that any conclusions in this field are far more subjective than in regard to fiscal capacity. The 1962 ACIR summarized its study as follows:

> The 12 states with the lowest per capita income are, with the exception of North Dakota and South Dakota, in the southeastern part of the United States. As indicated earlier, the ability of these Southeastern states to raise taxes is low no matter which of the measures of capacity is applied. Three of the twelve states make a tax effort above average under each of the four tax effort indexes; four consistently appear to make less than an average effort. The tax effort position of two or three other states shifts from less than average to above average, depending upon the index used, but only a few percentage points are involved in the shift so that, in general terms, the effort of these states is about average. Only in North Dakota and South Dakota, where the capacity rankings according to the estimated yield of a representative tax system are very much higher than the states' rank based on income, does the tax effort index change from substantially above average to one below average.
>
> The question whether the states with low per capita incomes are willing to tax themselves cannot be answered unequivocally. About half of the 12 states exploit their tax resources at about the national average rate or better; four tax themselves less; and, for the remaining two states, the answer depends upon the index of capacity employed.

My interpretation of this summary is that the willingness of the citizens of the South to pay taxes in 1962 was about the same as the willingness of other folks to pay taxes in 1962. I suspect that the same is true in 1969 and that it will be true in 1979. The more recent SREB studies, using slightly different capacity measures shows some relative decline of tax effort in the South. Even if the effort is something less than the average national effort—the limitation imposed by relative fiscal incapacity is ever present and even an above-average effort would yield limited amounts of revenue to state and local governments in the South.

Briefly, and to place these meanderings into some sort of perspective: I conclude that the overall fiscal capacity of state and local governments is barely adequate for the assumption of the burdens which are already being carried, that it is totally inadequate for the demands before us for government services, and that the state and local governments in the South, having less fiscal capacity than the national average, are in even worse shape as we look down the road. I may be overly pessimistic, but I believe that I am closer to political reality than was another recent reviewer of almost the same information regarding tax capacity and tax effort and who concluded that state and local taxes could be "tripled without great difficulty."

The other side of the picture is equally bleak—the look at those areas of government service with which higher education must compete for funds. In these areas there exist some of the same parallels as on the income side—demands that are common to all of the states and local governments, but compounded in the South by long periods of under-financing or under-attention. Any attempt to place priorities on the demands currently or prospectively in competition with higher education is hazardous, but the competition is from the disadvantaged and the developmental. There is a disadvantaged portion of our population with immediate needs that must be met by expenditure of government funds. There are developmental needs of our economy which must be government-financed if the system is to produce the increasing resources upon which all governmental expenditures must draw.

In the first category are placed that wide range of services—health, education, income maintenance and housing—demanded of our society for its disadvantaged members. It has been called an urban problem, and it is not simply that. It has been called an education problem, and that is only one of its dimensions. It has been called a problem of motivation, and it is less that than we once thought. While there is not yet general agreement on the solutions, there is an acceptance of the magnitude of the financial support required. And the frustration of both the country's "haves" and "have-nots" does not obscure the national will to allocate additional, large governmental resources to those solutions. One need only mention medical assistance, extensions in welfare coverage and increased benefits to indicate the potential effects of these demands on state budgets. The growing demands of public higher education must compete with this demand in all of its dimensions.

The other demand, or set of demands, those characterized as developmental, are the requirements for public expenditure to maintain the growth, accommodate to the mobility and size of the population and to erase or minimize the debilitating effects of industrial development. Such required public investment is that demanded for maintenance of systems of communications, air and water pollution control and conservation of natural resources. Demands for highway expenditures are perhaps the most generally applicable of these and are illustrative of the entire group. The need for highway dollars at the state level is probably more acute than most of us believe—and the competition from this area is yet to be felt in full. The widespread method of measuring highway needs by the yardstick of yield from "road use" taxes is a time-honored chicken about to come home to roost on the steps of state houses across the nation. Non-highway transportation requirements will, as they already have in some states, emerge as constantly growing competitors for the tax dollar.

These two elements, state's taxing powers which are approaching their limits and stronger competition for funds from other sources, force me to conclude that higher education can expect little more in state support for the seventies than it is now receiving.

I am convinced, however, that higher education's needs will be met, that we will devise a new mix in the financing of government-supported activities. In some ways, the method by which the problem of fiscal imbalance is solved is relatively immaterial—in others it is vital—but the method will be hammered out in a different and continuing arena and we will hear and discuss the federal responsibility this afternoon.

There are, however, responsibilities that the states must assume in getting ready for some changes in approach, whatever they are—and in assuring more economical or effective use of their education funds—however they come by them. Most state governments are going to have to modify their state and local government tax structures, reevaluate the basic organizational structure of the executive branch including public institutions of higher education, and make comprehensive planning an essential element in administration.

State and local revenue systems will need to be strengthened. Uniformity will obviously not be required from state-to-state but the price of admission to revenue sharing, whatever its features, will be productive and equitable tax systems at the state and local government levels. The Advisory Commission on Intergovernmental Relations suggests that effective local use of the property tax and relatively exclusive state level use of the sales and income taxes provide the basic elements of a system which would offer the flexibility demanded for partnership in future federal-state financing relationships. Action required by the states in this regard would range from local property tax assessment and equalization to major realignment of sources by level of government.

Some state governments will require drastic reorganization if they are to cope with problems in this new setting. Our fragmented structures are ill-equipped to deal with broadly stated national objectives—indeed, they are ill-equipped to deal with current state objectives to the extent that they differ from the objectives of a decade or two ago. Larger and fewer departments with broader missions or totally new administrative levels will have to be devised to allow management coordination of efforts that were not necessary ten or twenty years ago. Most state governments are today organized along lines which reflect special commitments to limited interests—they run counter to the demands placed upon the structure today for sharing information, cooperation and jointly-timed approaches to problems which cross departmental lines.

Governor's offices are going to have to be strengthened and modernized. The flexibility required in the administration of broadly-conceived and nationally-based programs is not assured nor likely when a chief executive is not a chief in fact. A balanced forward movement in areas requiring action across the administrative board, even in a tight administrative structure, is not assured nor likely without authority resting in a single place to see that the job is done and that coordination occurs.

Organizational arrangements relating higher education to the legislatures and to the chief executive must in many states receive concentrated attention. Irrational structures, developed piecemeal during a period of rapid growth, can respond neither effectively nor economically to a changed setting.

A breadth of planning which is relatively unknown today must assume a dimension in most state governments. It will be required for two reasons. First, there is the federal impetus toward fragmented planning. From this pattern of requirements will quickly come the need for more comprehensive planning directly related to the executive function of running state government—if the state is to have either a balanced program or a series of programs which have a broader political base than an informal set of relationships between batches of federal bureaucrats and wads of state bureaucrats—each of whom now operates within a limited framework and without a real political mandate or sense of responsibility larger than that of their own profession, their particular clientele-oriented pressure group, or an allegiance to a limited set of ideas or ideals. Planning for higher education will be of limited use if it is not integrated with planning and programming in the other areas of governmental activity.

I submit, in summary, that:

☐ State and local governments are, in terms of capacity and effort, approaching their limits in ability to finance governmental programs at the current level of demand.

☐ Higher education can expect to receive little more from state government than it is currently getting.

☐ New financing arrangements are required and will materialize.

☐ That accommodation to this new "mix" in financial support will demand assumption of new responsibilities by state governments in such areas as tax administration, structural reorganization and planning.

a governor comments

Robert W. Scott / Governor of North Carolina*

It is a happy privilege today for me to address this general session. You honor me by the invitation as you have honored other North Carolina governors in the past twenty years. I must add that my pleasure is enhanced by my pride in the contributions to the work of SREB that have been made by such recent North Carolina governors as Luther Hodges, Terry Sanford and Dan Moore.

In preparation for this meeting I read the perceptive address of my immediate predecessor, Governor Dan Moore, which he delivered to the 15th Annual Legislative Work Conference in July 1966 on "The Role of Planning in Financing Higher Education."

In addition I have reviewed the comprehensive long-range planning study of higher education published by the North Carolina Board of Higher Education this past November. This plan covered a wide range of topics including such major areas as: (1) appropriate goals for higher education in North Carolina; (2) a review of the system of higher education and recommendations for future structure; (3) enrollment and academic projections through 1975; (4) the future of colleges historically attended predominantly by Negro students; (5) the special, and unfortunately growing, problems of the 42 private colleges in North Carolina; and (6) the unmet financial aid needs of students in our senior colleges, as well as the additional demands for financial aid if North Carolina is to increase the percentage of its high school graduates who go on to further education.

Most appropriately for my comments today is the fact that the board's document attempted to answer, whether it be the topics listed above or such subjects as libraries, faculty, and physical facilities, the questions of what are the present costs, what will we need to spend, and how will we pay for it?

The report said, and I agree, that ideally projections should be available of the total cost to the state of meeting higher educational needs between now and 1975. This cost should be broken down further as to which might be expected to be paid by the federal government, by state government, and from other sources. It said that higher educational needs "can and must be stated in terms of public policy." For example, library resources should meet nationally accepted standards. To take another example, faculty salaries should be established on the premise that education of excellence cannot be achieved using "average" criteria. However, the North Carolina Board of Higher Education concluded that it is not now possible to make, in excess of one biennium, estimates which are totally reliable.

This is true for at least three reasons, the board said:

First, the complexity of higher education and constant changes required by new and evolving technology and knowledge make it extremely difficult to estimate future costs except in gross terms.

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*Delivered by North Carolina State Representative Allen Barbee.

Second, too often the data available, whether from institutional or state or federal sources are fragmentary or out-of-date, or are prepared in such fashion as to make reliable comparisons difficult, if not impossible.

And finally, public policy may, and usually does to some degree, change annually at the federal level and biennially at the state level. As a result, after each session of Congress or the State Legislature, it becomes necessary to reassess the assumptions used in previous estimates; to reexamine the question of need; and to make adjustments which will reflect the impact of changes in public policy.

The major recommendation of the board's chapter on financing higher education was that high priority be given to the development of a total information system for higher education. I emphatically agree that to plan or to make decisions without accurate, adequate, and reliable data, although often done under the guise of expediency or pressure of time, is neither wise in theory nor practice.

With this as background let me turn briefly in response to the speakers and the implications of their remarks.

President Bowen, Dr. Folger and Mr. Joyner's remarks make it clear that the financial demands of the '70s will be much greater than ever before, that costs will rise probably faster than revenues and that higher education will require a larger slice of the total revenue pie. We have been told that the state government has major responsibilities to meet which it will find increasingly difficult to finance.

All of these viewpoints are supported by my own experience and the in-depth study by our State Board of Higher Education.

Of course, a governor considers first the total state picture. When all needs, including those of higher education, are considered, it quickly becomes clear that the need for new and expanded services could easily grow faster than anticipated tax revenues will finance. Some economics can and must be effected—but still we know we will be faced with needs which cannot be fully met from state revenues.

One course of action we could take would be to trim services to available revenues. Our state requires a balanced budget and I hope it always will.

The second alternative is to find new revenue sources. We are doing this in our state. But here, too, there are limits on what can be done.

This leaves us with a third and last alternate—a better use of both existing and the limited new revenues.

What are the probabilities?

At the federal level we must first come to grips with the distortion in priorities which result from the war in Vietnam. Here I am not taking a position on the war, but rather simply making the point that the allocation of federal tax resources would be quite different if we did not have to devote such staggeringly large figures to our efforts in Vietnam. As must be true for all of us, I look to the end of the war in Vietnam and a reassessment of national priorities. In the next decade, assuming the end of the war, I look for much greater assistance to higher education at the federal level for two major reasons. First, the war accounts for the greatest diversion of funds at any level of government both in terms of absolute dollars and as a percentage of total revenues. Secondly, only the federal government is in a position to equalize the allocation of resources among states based on need, i.e., to collect the money where it is and to spend it where the needs exist. We do this within our states; only the federal government can do it for the nation as a whole. Therefore, I see both the greatest potential and the largest probability of increased financial support for higher education lying with the federal government, with a greater portion of the total cost being federally funded.

At the state level I see larger dollar amounts being required, especially in the South, for two major reasons. First, as a region we can and should expect a greater increase in demand by our population for post high school educational opportunities which includes, of course, technical and vocational education. This will place unusual financial burdens on us. Second, as is true for all states, I see the cost of higher education increasing more rapidly than most sectors of the economy with the possible exception of medical care costs. This will mean both an increase in the dollar amounts required from the states and an increase in the percentage of total state revenues allocated to post high school education.

But here some qualifications also are necessary. For example, I do not believe that there is in the states the same potential for increased financial support of higher education as exists at the federal level. None of the states has funds which are currently diverted to unusual purposes such as the war in Vietnam. No state has the possibility of redirecting a significant portion of its budget without damage to other areas of need.

Therefore, while I see more money and a higher percentage of tax resources of the states going to post high school education, I also see the increase being smaller than the increase in federal assistance. The net result will be that the federal government will be paying a larger portion of the total cost than today.

Finally, there is the private sector and here I mean tuition, fees, gifts, grants, alumni giving, etc.

The whole question of what portion of the total cost will be borne by tuition and fees is almost impossible to foresee. We all know that tuition and fees have increased and that the end is not in sight. This is especially true of private colleges and universities. But we all know if we are not to disenfranchise educationally those with limited financial resources, there must be a more than offsetting increase in student financial aid. We may need to rethink much of what we have done, and left undone, on this question in the past. The North Carolina General Assembly has commissioned a major study of financial aid with recommendations scheduled prior to the 1971 session.

I can summarize by saying that I have little doubt that this nation has the financial ability to meet more fully the needs of our citizens but we may not be able to do this unless there is peace in the world. Next, I see all sectors—federal government, state government and the private sector—called upon to make a greater contribution than today. But I see the greatest increase in contributions being required at the federal level with the next greatest increase at the state level and the smallest increase from the private sector.

Whether or not this tentative evaluation is correct, I still conclude that we cannot afford any waste of limited resources.

As never before we must look at the system as a whole on a statewide, on a regional and on a national basis. We must clarify and secure agreement on the different responsibilities of the institutions. In developing a system of post high school education to meet the diverse needs of our citizens, we must determine which institution is to do what job and reach agreement on who is to pay for it. Those of us in elective positions must have the foresight to lend encouragement where appropriate as well as the courage to say no when necessary.

The concept that somehow the give and take among institutions, both public and private, will result in a fairly optimum system of post high school education has limited validity for the future. Higher education today is so complex, so costly and so intimately involved in power politics, both educational and political, that the democratic process cannot function without adequate planning and coordination on a statewide, on a regional—such as that represented by the states gathered here—and on a national basis. If the needs of our individual citizens are to be met—and surely it is the individual whom we must always keep foremost in our minds—then this can only be done within the framework of plans which will assure the optimum use of limited resources. This is why we recently sought to strengthen our statewide planning and coordinating agency for higher education in North Carolina.

I would submit that in light of the comments by our previous speakers today, the continued absence of long-term national, regional and state plans is a luxury which we can no longer afford if indeed we ever could afford it. In light of costs which are quickly outstripping available revenues, now is the time for us to look at hard facts, to set clear objectives and then to plan to meet them. We really have no other choice.

an administrator comments

Edmund C. Mester

It is an honor for me to have the opportunity to address such a distinguished assembly, but I know that my colleagues from Maryland join with me in expressing disappointment that Governor Marvin Mandel could not be here himself. But as every governor in the audience understands, I'm sure, there are times when you cannot set your priorities in accordance with your personal wishes. He is tied up in business back at home.

At the outset, I want to assure you that I am conscious of the hour. I also want to make a disclaimer. I may be standing here in lieu of Governor Mandel, but I am not speaking for him. What remarks I will make, and they will be brief, will be my own and will carry no more weight than just that.

It's great for one's ego to listen for two hours to three experts and find that, by golly, they arrived at the same conclusions that you did. We in Maryland are fortunate that we are of one of the wealthier states, relatively speaking, of our union. We rate in per-capita income somewhere between seventh and 11th in the nation. We find that in expenditures for higher education per capita we rate rather badly, from 34th to perhaps 39th in the nation.

Now I say this because it means that we in Maryland have some room to maneuver to increase support of higher education. But not nearly as much as those statistics might indicate. This past year, Governor Mandel's budget, approved by the general assembly, provided an increase in our general fund for the state's colleges of 26 percent over the previous year. That is a sizable increase in general funds support. We also fared well in the college system in capital funds. We also set aside for a three year period a program that heretofore had said that we could only build dormitories at the expense of students. For the next three years the state is going to provide us with $12 million whereby we can build dormitories with the understanding that that will give us a financial base, revenue-producing base of 6,000 beds, in the system. And with that base we ought to be able to then build dormitories as the need arises.

Despite the fact that in the past two years Maryland has found it necessary to increase its income tax, I think at the time we talked about it being a 33 1/3 increase, we went from a straight percentage to a graduated or limited, modified, graduated income tax. But I found, in the first year I paid that income tax, that the next result was that my income tax was up 100 percent. Not my income, my tax. This year the general assembly found it necessary to increase the sales tax again 33 1/3 percent. In addition to that, they included certain items which heretofore had been exempted.

And yet despite the fact that we have had sizable increases in the last two years, the financial picture is not at all bright in the State of Maryland. We hope that we will get by next year without additional tax increases, but there is no guarantee for the following year.

I think that we simply have to recognize the fact that the financial structure, the tax structure of the state—and I speak, I believe, for all states—is simply not such that it is going to meet the demand across the board for domestic expenditures: education, health, housing, welfare. I see no other source but the federal government, and I think we must look to the federal government for greater assistance to meet our domestic needs.

I think in that direction what is really called for is, whether we like it or not, we simply have to address ourselves to the priorities which govern our lives. Now I'm no dove and I'm no hawk, but it seems to me that we must look to the day when the war in Vietnam comes to an end. And we must determine whether we are going to spend the money that is now being spent for our defense posture and for the war in Vietnam—whether we are going to use those sums to reequip an army, or whether we are going to address those funds to our domestic needs. I vote without reservation that we take a look at the needs on the domestic scene.

I think, in addition to that, in terms of priority, we need the state to consider reorganizing our administrative structure and reorganizing our tax structure. We need to do this not because it is going to save vast sums of money, but I think we owe it to the taxpayers to assure them that what we do with their money will be done as carefully and efficiently as possible. I also think we need to overhaul our tax structure in order to bring it in line with the federal tax structure, to make the flow of federal funds into the state system a lot easier to accommodate.

In this picture, I do not believe that those of us who are involved in public education can be unconcerned about the needs of private higher education. I say this not because I am altruistic but because private education, particularly the higher level, plays a double role as I see it. One, it supports a part of the higher education costs which otherwise would have to come out of our taxpayers' money. But in addition to that, it provides a scale, a guide, a balance wheel against which we can look to see what kind of job we're doing in the public sector. I hope, and I know, that there are some constitutional barriers and political barriers involved in this, but somehow we need to find a way to keep alive the private colleges of this nation. Now I assume that you are as hungry as I am, and I want to thank you again for permitting me to be here.

the federal role in education: one view

John F. Morse

I have been asked by your chairman to discuss with you this morning the role of the federal government in the whole field of higher education. I sense that he wishes me to do this in as objective, analytical and dispassionate a fashion as possible. This is not an easy assignment, for it is a topic about which I feel and care very deeply. To ask me to be detached is, to borrow Marya Mannes's simile, like asking a rabbit to address a woman's club on the subject of planned parenthood.

I have considered in preparing these remarks why I, in particular, was asked to be one of your speakers, and I have concluded, rightly or wrongly, that it is because I can perhaps give a kind of insider's view. Put in a less kindly way, I am probably part of "The Establishment." In one way or another, I have been connected with the development of most of the federal programs in higher education since 1958—as a consultant, as a program director in the Office of Education, as a member of the staff of the House Education Committee, and for some six years as the federal relations man for an educational association.

There are certain advantages in being an insider. You get a pretty clear view of the detail. You can see the objectives sought and the objectives missed. You can see the potentials, the modest successes, and, I hope, the weaknesses and the problems. In this summer of 1969, the view from inside is not a particularly pleasant one. I am reminded of an old friend from my New York State days who was overly fond of the bottle. When he showed up on the first tee one Sunday morning with particularly bloodshot eyes, I couldn't resist and unkind comment. (He was to be my partner.) "Boy, Jack," he replied, "You should see them from in here."

I am also aware that the insider's position has certain disadvantages. It has given birth to a well-worn cliche about the forest and the trees. The views I shall express may reflect that disadvantage, but, if so, our other speaker who has a different, a kind of view-from-Olympus perspective, should provide the antedote.

I got into this business over 10 years ago because as vice president of a reasonably distinguished and outwardly prosperous educational institution, I became convinced that no institution, public or private, could maintain quality, fulfill its mission, meet its responsibilities, and cope with the future unless the federal government moved in a massive way to provide assistance. That is scarcely a novel thought these days, but in cleaning out our files the other day, one of our secretaries ran across a memorandum from a former president of the American Council on Education stating flatly that the council took no position on the desirability of federal aid.

It has become commonplace to refer to existing federal programs as a hodge-podge, a crazy quilt, a designless structure. The picture drawn is one of chaos. In recent years we have seen a mushrooming of free-lance Washington representatives who feed on this notion and who promise, for a fat fee, to lead college administrators through the government labyrinth to a pot of gold. My impression is that most of them, who have ranged all the way from honest brokers to hucksters, have either failed to survive or are living on lean fare indeed—not because they themselves lose the way, but because the labyrinth isn't all that complicated. The route is increasingly well marked, and in the field of higher education (I cannot speak for other levels of education or for programs in support of other social programs) there appears to be little need for a professional guide. The problem is that the pot of gold is not as large as it is reputed to be, clearly not large enough to meet our needs, and for some institutions and some purposes there is almost no gold at all.

As I see the developments of the past 10 years we have been putting together, piece by piece, often rather painfully, what is beginning to be not a hodge-podge but a mosaic. Obviously it would be impossible, in the short time at our disposal, to identify all of the parts, but it should be possible to see the pattern and to suggest the shape of the missing pieces. A good place to start might be the National Defense Education Act of 1958, for it seems to me that that act set the government on a fixed course, deliberately and directly, into the field of education. It was as if the landmark Morrill Act of 1862, the enormously successful College Housing program, the rapid development of the National Science Foundation from an institution concerned primarily with research into one concerned with all aspects of science education, had been trial runs. They had charted the seas and tested the weather, and the maiden voyage was at hand. To be sure, we were still a little uncertain of ourselves. We euphemistically called it a defense act. But I don't think the euphemism fooled anyone—least of all the authors of the act.

In that act we recognized that there were many young people who needed financial help if they were to make the step from high school to college, and we provided them with loans.

We recognized that our universities must step up the production of Ph.D.'s, and that we must develop more institutions capable of granting the Ph.D., and that the expense of doing so was far in excess of what state and private resources could meet. So we instituted a fellowship program to support the student and a system of concomitant grants to institutions to help defray the cost of expansion.

The authors of the act identified the weakness of our guidance programs in the lower schools; our national illiteracy in the field of foreign language and area studies; the need for better and more modern teaching aids in our classrooms; the need to stimulate educational research and to disseminate its results; the need to strengthen the educational administrative structure in our states. Having identified these weaknesses and needs, the act provided funds, federal tax funds, to meet them. It is important to note, moreover, that in the field of higher education the funds were provided without regard to whether the institutions were public or private, secular or sectarian, large or small, of high quality or simply of would-be high quality. This is a pattern from which we have never since deviated.

I suggest that in September, 1958, the Congress laid the first large piece of the mosaic and that all that has followed has been a logical development from that start.

The patterns established in the NDEA fellowships were applied by the National Science Foundation, NASA, the National Institutes of Health, and other agencies in their fellowships and traineeships.

It became apparent that the institutions' physical plant would have to be greatly expanded until well into the 1970's if all potential students were to be accommodated. So we have the Higher Education Facilities Act, which at first was limited to buildings designed for specific purposes, but soon expanded to cover almost all of the academic functions of education. The authorization level in this act would suggest that the federal government is ready to pick up approximately 60 percent of the tab for the estimated three billion dollar annual outlay for needed expansion.

Loans as a method of funding needy students have their limitations, especially as we move down the economic scale in our search for more disadvantaged students. Thus we now have educational opportunity grants for our most impoverished youngsters, and a subsidized work program for students who need additional help to balance their budgets. We have learned, in short, that as we reach out and down, we must not pile debt on debt on our most deprived young people. We give our neediest a boost with a grant that those from more fortunate circumstances expect as a matter of birthright from their parents. We give them a chance to work—to perform meaningful work—so that they need not feel they are totally dependent on charity. We expect them to borrow—but in moderate amounts—on the grounds that higher education is not solely a charge on society; it is also a personal investment in one's future that pays rich personal dividends.

We have recognized that because of incrusted patterns in our social structure, it is not enough for education to say, "We are here." We must stimulate and motivate youngsters to reach for what their parents have thought unreachable "to dream the impossible dream." So we have the Talent-Search Program.

We are learning the hard way that motivating and recruiting is not enough. Tossing a youngster into the middle of a stream and saying, "OK, lad, you've made it!"—produces a lot of new swimmers, but an unprecedented number of drownings. So we have on the books an act (still unfunded) to provide special services to the disadvantaged. If we do the job we must do in the field of elementary and secondary education, this program will become superfluous, but at the moment I view it as essential to everything else we are trying to do for the disadvantaged.

We have become aware that merely producing more Ph.D.'s with their research-oriented training cannot possibly meet the teaching needs of our complex of higher education. We need teachers—plain, glorious teachers—to teach at the undergraduate level, at the junior college level, at the sub-professional and technical level, where our universities have been singularly remiss in supplying the necessary manpower. So we have the Education Professions Development Act to encourage and to fund programs especially designed for the sub-Ph.D. level.

We have agreed that our institutions must be reservoirs and pipelines for existing knowledge, and we have devised federal programs for libraries, for computers, for indexing and cataloguing, that will assist them in filling these roles.

The list is almost endless. We know that there are institutions of higher education that are inadequate. They exist; they serve large numbers of students, particularly from minority groups; but they fall far short of acceptable standards. The choice has been to let them perish or to try to breathe life into them. We have decided—wisely I think—on the latter course and so have the Developing Institutions program. We know that universities have some capacity for assisting in the solution of complex urban—and indeed rural—problems, and we have enacted the Community Service Program. In short, pieces have fallen together, and we can, I think, envision the shape of things to come.

It has become fashionable to refer to all that has developed in these past 10 years as "categorical" aids and to use that term in a derogatory sense. I do not question the adjective; I do question whether it should be regarded as derogatory. What three administrations and five Congresses have sought to do is pinpoint our greatest weaknesses and most pressing needs and zero in on those targets. We have many miles to go, and we are still feeling our way. But why shouldn't we? No nation on earth has ever attempted what we are attempting—to provide full educational opportunities for all our citizens.

We are not yet, unfortunately, able to assess the impact of these 10 years. The Carnegie Commission's report on the underprivileged's access to post-high school education was based on 1961 figures, before any of the programs about which I have been speaking were in being. This is not the commission's fault; no better figures were available.

So it boils down to a matter of faith. I believe, and believe deeply, that if we could only get adequate funds, most of what we already have in place would bring us 80 percent on the road toward our national goals. To be more specific, I do not believe that we need tear down existing structures and start all over again.

Let me take the one goal of full access to higher education as an example. We have built a program which those of us in the "Establishment" think can work. It consists of grants, loans and work. It presupposes that state and local support of public institutions, perhaps even of private institutions, will help to keep charges to students down. It also presupposes that freedom of choice for the student will be maintained by providing, through private funds and additional personal sacrifice, access to private education for those who choose that route. The authorization for the federal share in the student aid endeavor for fiscal 1970 for direct appropriations is $630 million, and the institutions have indicated that they could use every cent of it effectively. Yet the probable appropriation for these programs is only $461 million. I suggest that our 2,300 institutions have learned how to recruit. They have searched out and identified young people whom they believe to have the desire and the capacity for higher education. Yet the shortage of funds will force them to bypass almost 25 percent of those whom they have identified.

So it goes with virtually every other existing federal program, except that most of them are even more starved than is the student aid program. The facilities program is likely to come to a complete stop, except for a pittance for junior colleges. Fellowship and traineeship programs have steadily been cut back. Special Services for the Disadvantaged? It's still a dream! Proposed funds for all our so-called developing institutions? The total is less than the annual endowment income of one of our major universities. Community Services? The proposed appropriation could probably be used effectively in one of our major cities.

Those who would blueprint the future of the federal investment in higher education seem to base at least some of their thinking on the proposition that what we have tried to do has failed. As I have suggested earlier, I am not sure that they are right, because the evidence is not yet in. But if we have failed, I suggest that it may be because we have not had the funds to make it work. I hope we will not scrap the existing blueprint until we have at least made a try.

So far, the Congress has tried to meet the most urgent needs of education by a reshuffling of priorities within a total and fixed budget for education. Clearly this will not work. It makes no sense to recapture facilities funds at the expense of student aid, or funds for upgrading ghetto schools at the expense of teacher-training programs to staff those schools. We will never break through until the priorities are reshuffled within the total federal budget, and to bring this about I conceive to be the responsibility not only of groups like the Southern Regional Education Board but of our entire citizenry.

Now let me move to some of the additional pieces that might be added to the mosaic. Here I will undoubtedly display some of my personal biases. I warned you in advance that I was a rabbit, and there are certain topics about which rabbits cannot be objective. But to the extent possible, I shall try to present the views of the higher education establishment.

So far I have devoted myself largely to the teaching functions of higher education. Where does research fit in? It is my view that if educational institutions will limit themselves to basic research or, perhaps in particular areas such as engineering and some of the social sciences, to applied research as well, and that if they will undertake only that research which serves the dual purpose of advancing knowledge and educating the next generation of scholars, there need be no limit on the amount of such activity they undertake. I see little place in universities for purely developmental work or for research unrelated to the education of students. I find the term "non-teaching professor" ludicrous. Industry, government laboratories, and the so-called non-profit research institutes should be able to handle the nation's needs for research and development when it is unrelated to the educational function. But an important corollary to my proposition is that if the universities are to expand their research activities within the guidelines suggested, it is essential that the government pay the full cost of the research it supports. Under the current requirement that universities share in the cost of research the inevitable result is that university funds are siphoned away from programs in which the government has no special interest. Thus, the government in effect determines the university's priorities.

To be more specific, it seems almost inevitable to me that the government's chief research concern is likely to continue to be in the area of science and technology. I do not refer exclusively or even principally to our defense effort or our space program. I refer instead to the field of biochemistry and other health-related areas, to the fields of food production and pollution control, to the technology of education and communications, and to a host of other areas in which there can be a possible, a measureable, and a politically defensible return on the investment.

But what of the more controversial social sciences and of the humanities and arts? In the ideal world they would receive their commensurate share of federal largesse. But I do not expect to live long enough to see that ideal world, and so I prefer to dwell on the present and immediate future. I think it realistic rather than pessimistic to suggest that we cannot hope to see a growth of the Humanities Foundation or the proposed Social Science Foundation as a 1970's counterpart of the 1950 National Science Foundation. These fields are not likely to provide a payoff that the public seems to expect and can understand. The projects they are likely to support and should support are too easily pilloried by critics. Fragile plants, however beautiful, wither under the blight of controversy. But if the government will support fully those areas of inquiry which the public can understand then the universities can channel their own resources to intellectual pursuits that are too esoteric, or too controversial, or too far out for the public to be willing to support.

There is increasing criticism of the federal programs even in the area of scientific research. It is a criticism based on the fact that we have relied almost totally on the project system. This, it is claimed, has resulted in a kind of super-establishment where members of the club scratch each other's backs, where it is hard for the new man to break in, especially if he has off-beat ideas, where loyalties have been transferred from institutions to federal departments, and where the destinies of those institutions are less and less in control of the institutions themselves. I believe few would advocate an abandonment of the project system as the base for scientific research. But I believe we must devote a larger share of the federal research budget to institutionally conceived and determined research programs.

For the most part the federal programs we now have in place are egalitarian in nature. I make this statement despite repeated congressional protests that federal funds are concentrated in a handful of institutions. If one removes the approximately $1.3 billion in federal funds that are devoted to research, assigned largely on the basis of quality or at least presumed quality, one will find a remarkable dispersion of federal funds among all kinds of institutions. Summer institutes, curriculum reform programs, facilities grants and loans, equipment grants, funds for library acquisitions, and a host of others have been spread widely, if all too thinly. I doubt whether we can or even should change this pattern. Perhaps what we should do is to set up a kind of university grants committee modeled after the British system to identify and nurture high quality education wherever it exists at both the university and college level. This is not a revolutionary suggestion. The NSF has already made a start along these lines in its various science development programs.

It seems to me the largest single missing piece, if we are to complete the mosaic, is to provide general institutional support for all of our institutions of higher education. Call it, if you will, a national endowment, with annual payments assured to all accredited institutions to be used exactly as if it were endowment income. This is not a revolutionary step. We have already tried it in the case of the land-grant colleges and found it to be enormously successful. Such a program could undergird the various categorical programs we have been discussing. It could provide funds indirectly for institutional programs that are not likely to win direct federal support. It could enable institutions to resist the explosive pressure to increase their charges to students. It could help the weaker institutions improve the quality of their work, while at the same time enabling the strong institutions to move toward even greater excellence.

Higher education is virtually unanimous on the need for this next move. If disagreement exists, it is largely a disagreement on the mechanics and details rather than on the concept. I believe that if we could agree on a program to reward quality where it exists, we could then agree that general support should be egalitarian in nature, based on such easily derived data as student enrollment.

I have left untouched a variety of problems. Obviously we must assure ourselves that the growth of federal programs will not dry up state and local support on the one hand and private support on the other. I do not minimize this danger, but I cannot help but observe that alongside the growth of federal support in the past decade there has been an equally fast growth in support coming from the states and from the private sector. My guess is that there will be a gradual shift in the balance and that the shift will occur at different levels. Are we not, perhaps, at the point where responsibility for medical education will be almost totally a federal one? With the mobility of our most highly educated manpower, may not graduate education a decade hence be in almost the same position? Is it not possible that the more nearly institutions are identified with local needs the more clearly it will be the responsibility of local sources to fund them? If such a question has any validity, it suggests to me that once the needed institutions are in place, the facilities built, the teachers educated, the students adequately funded, and the basic financial undergirding provided, the degree of federal responsibility will be directly proportional to the national as opposed to the local characteristics of each institution.

Today in Washington, and I presume in the larger world outside, all kinds of propositions, ideas, and techniques are being discussed. This is good and probably desirable at any time, but is inevitable now in view of the suffocating pressures of the defense budget, which apparently make it impossible to meet our social and domestic needs. Thus there is talk of transferring loans for facilities and for students to the private sector by means of interest subsidies, despite the fact that in the long run there is no more expensive a way to provide those loans. There is talk of charging in fees the full costs of higher education and letting students repay over a lifetime, despite evidence in our own history and that of other nations that inexpensive access to higher education is the strongest possible motivating force. There are those who seek ways to reduce the federal investment in higher education while they still look with pride at the days of the World War II GI bill, the only time we have come close to providing total access to higher education, and despite the claim that that investment has been repaid many times in tax revenues. There are those who press for a variety of tax reform measures which can only reduce the ability of the private sector to carry its share of the load, at the same time insisting that the private sector must increase its support.

I must leave it to the economists to determine what the federal stake in the future should be. I have no reason—indeed I have no capacity—to quarrel with the projections made by such experts as Howard Bowen, John Folger, or the Carnegie Commission. If we can agree on the dimensions of the structure and the sources of the materials, I believe we should be open minded on the ways the structure is to be built.

But let's not underestimate what we have already achieved. I do not suggest that all the pieces now in place fit perfectly. Everyone in this audience, everyone on our campuses, and everyone with whom I associate in Washington has ideas for improvement, for reshaping, for achieving a better fit. I simply suggest that before we go into drastic remodeling, or, worse yet, tearing basic elements apart and starting over again, we take a long look at what we have and a careful and up-to-date assessment of what we have achieved. We just might surprise our severest critics and even ourselves.

May I be permitted one last word! What has been accomplished in the past 10 years has come about, in the main, because we have been able to develop a kind of consensus among the sometimes competing elements within higher education and even beyond that, within the total enterprise we call education. I need not spell out for a group as politically sophisticated as this the difficulties involved nor the delicacy of the alliance.

We have seen throughout the educational community a genuine and successful effort to find accommodations, to make concessions, to adjust individual goals, and even to unfix fixed positions for the good of all. There is room in the world of ideas for all kinds of new approaches and for exploring unblazed trails. Today, as Jimmy Durante has observed in another context, "Everybody wants to get into the act." I find this healthy and productive. My plea is that those who would blaze the new trails across the mountains recognize that those who have worked the valleys have had to find their way around many hazards and obstacles and despite this have pushed far forward.

I suggest, in short, that our problem at the moment is not so much the trail as the roadbed. As long as men have organized themselves into governments, the chief problem has always been the allocation of resources, and it is here that the educational community has failed. Once the battle for authorizations has been won, we have relaxed with a feeling of satisfaction. But our achievements, until we have adequate funds, have been at best symbolic victories and at worst have raised false hopes. The need now, from this observer's perhaps myopic view, is not for a new trail; it is to open the one we have built to freer movement of traffic.

what is the federal responsibility?

Clark Kerr

It is a very great opportunity to have the privilege for the first time to attend one of your annual meetings. Our commission, however, has already benefitted greatly from contacts with the Southern Regional Education Board. At two of our meetings, one in Atlanta and one in Chapel Hill, we met with representatives of the Board—in Atlanta with Gov. McNair, among others. We have benefitted also from your staff reports. And we have had, as a member of our commission, Bill Friday, who has been so very faithful and helpful to us and who has also been so active in the work of your Board.

You have heard four excellent papers and two excellent comments. So I should like only to make some additional comments. I shall try to be as brief as possible because you do want to enter into your discussion and hear the comments this afternoon.

I shall refer to the following seven items, each one quite quickly: First of all, what is the size of the financial problem? Second, what may be its duration? Does this trend, which we have heard so much about today, go on forever, with higher education becoming ever more costly, taking more of the gross national product (GNP)? Third, what are the causes which have given rise to the current financial crisis and what is likely to happen to these causes? Fourth, what are the appropriate shares in financing higher education—initially, between private and public segments; and, then, within the public segment, federal versus state? Fifth, what are the best forms federal assistance might take as its share rises? Sixth, a few comments on two special problems—the problem of the private college, and the problem of the South. And then, seventh, coming back to a comment by Gov. Godwin this morning, what are the implications of the current collision course between the campus and the community and the atmosphere that course creates for all of us seeking more support for higher education?

First, on the size of the problem—and I am talking now in terms of institutional expenditures, not the broader way that Howard Bowen did this morning. It looks as though, between now and the year 1976-77, we will need to double the amount of money going into institutions of higher education, from a figure of $20 billion this year to $40 billon then.

Beyond the figures that Howard Bowen had, we put in these: capital construction, auxiliary enterprises and student aid. So our figures are a good bit different. In the past decade, calculating as we do, the percentage of the gross national product being spent by institutions of higher education has gone from one percent to two percent. We think that by 1976-77 this will need to rise to three percent. We take the year 1976-77 partly because it is close enough so that we can examine it carefully, but also because it would amount to two terms of the current President of the United States, if he has two terms.

Second question: How long will this problem keep on going? Obviously you cannot keep on going from one to two to three percent of the GNP and then on up forever. Our expectation is that the problem will ease rather quickly after 1980. The heavy prospective period for increase is the 1970s. By the year 2000, as far as we can calculate now, the percentage of the GNP going into higher education will be more like two and one-half percent, not the three percent we are now talking about for 1976. So we are not talking about going on forever in this direction. There is some end to the process.

Third, I would like to comment on the causes of the current crisis, and then how, as these causes change in their nature, the situation becomes easier. We have this crisis because of rapidly rising numbers of students based upon the increase in the birth rate after World War II, and the higher percentage of young people going to college. Along with rising numbers, we have also had costs rising at an unusual rate. During this period of time, faculty salaries have been going up at twice the rate of wages and salaries generally for the nation. And then, beyond that, higher education has not been increasing its productivity in any way that anyone could calculate. I know of no good American study. There is a reasonably good one for Great Britain, by a professor at the University of London by the name of Mark Blaug. He calculates that the productivity of higher education has not been increasing, but has actually been decreasing at a rate of one percent per year. He has recently made a study of elementary and secondary education, and he finds the same thing. And so, with rising numbers of students, and rising faculty salaries, not offset by increases in productivity, we have our crisis.

What is likely to happen? The numbers will not keep on rising as they have been. We can tell from the current birth rate pretty well what is going to happen in the 1980s. The numbers will level off; there may actually be years in the 1980s when the absolute number of college and university students will go down. It is highly unlikely, in fact it is impossible, that faculty salaries will keep on rising at as fast a comparative rate as they have in the last decade. It is likely that quite soon they will start rising not twice as fast as wages and salaries generally, but at the same rate.

And beyond that, it is quite necessary for higher education to start taking a look at its productivity. It is one of the few sectors of the American society where productivity does not rise. Joe Kershaw is here from the Ford Foundation, and the Ford Foundation and the Carnegie Commission are jointly sponsoring what will be the first really good survey of the prospects for increasing productivity in higher education.

Fourth, in terms of the shares of support from the federal government and state government, and from the public and private sectors of the economy, I would like to give you my ideas and the ideas of the Carnegie Commission on what those shares might be. In terms of support of institutions of higher education, about half now comes from the private sector and half from the public. If one were to add in the total costs of higher education, as Howard Bowen has done, it would probably come to be about two-thirds to one-third—the private sector contribution going up as he indicated because of expenditures that do not go through institutional accounts and foregone earnings, but partly offset by adding in on the public side foregone taxes on property and on gifts. So I would expect that, in terms of total calculations, not institutional, the burden is now about two-thirds private and one-third public. And that happens to be exactly the distribution of money in the United States. Two-thirds is left in private hands, and one-third is in public hands. Now this does not mean that it is right; but it is interesting to note. There may be some rough justice in our current distribution of the shares between public and private sources. Private sources pay two-thirds of the total share and have two-thirds of the money; public sources are one-third, and one-third.

On the question of who gets the benefits, which Howard Bowen raised this morning, it is very difficult to calculate. You can calculate the private benefits of higher education better than you can the public benefits. One way of calculating public benefits is to say: "How much do people pay in extra taxes because of their extra skill and their extra earning power?" One sees, if you look at the tax situation, that about one-third goes to the public and two-thirds remains with the private sector. And this may not be too bad a calculation as to who benefits. Two-thirds of the benefit is retained privately, and one-third is taken in a public way. Now, beyond the monetary side, there are other benefits. Better-educated people are better citizens. But also better-educated people have a higher quality to their personal lives.

In terms of maintaining the private share, which our Commission has generally favored, I would like to note this: private means are rising rapidly, and there is a very high propensity for people to spend their higher incomes on education. If you look at what economists call the income elasticity of demand, you will find that the three things which are most expansible with higher incomes are these: expenditures on foreign travel, expenditures on memberships in private clubs, and private expenditures on education. People are becoming wealthier and they have this propensity to spend more of their wealth privately on education.

I would also like to suggest that it is a great advantage to higher education to have a share of the money coming from private sources. It means a great deal in terms of diversity, freedom and flexibility.

Thus we may have rough justice and a rather good situation now with one-half of institutional expenses being met privately, one-half publicly; and two-thirds of the total burden being carried privately and one-third carried publicly.

In terms of shares, federal versus state, and using our method of calculation of institutional expenditures, about half of the public money now is federal and half is state. We are suggesting that the federal share should go up to a little less than two-thirds of the public contribution and the state share fall to a little more than one-third. The federal government has two-thirds of all public money, and only one-third remains at the state and local level. And so, since the federal government has two-thirds of the money, it would seem reasonable that it might put in two-thirds of the public expenditures on higher education. The federal income is also more expansible than is the income of state and local governments, given the tax structure of the United States. So we think it both possible and desirable for the federal government to go from one-half of the public share to approximately two-thirds.

Now I turn to the fifth point which concerns forms of federal aid. Jack Morse has talked about the accomplishments in recent years through federal support, and I endorse everything he said. But let me remind you that it was not so long ago when many in higher education did not want federal money and feared it. In 1952, a study commission under the auspices of the American Association of Universities said quite categorically that there should be no more federal money going into higher education because federal money meant federal control and that should be resisted. One of the accomplishments has been that, in the intervening years, despite these fears of 1952, we have moved to major federal participation without heavy-handed federal control. So I would like to add this accomplishment to those Jack Morse has mentioned.

I agree with Jack Morse that the mosaic that has been developed has been most effective. Our Commission is recommending, as Jack Morse has, that we build upon it. I would like to indicate where major additions might be.

In terms of research support, we favor it being spread somewhat beyond the science fields. We also favor improvement in the percentage of overhead going along with federal contracts. It seems rather strange that the federal government should give private industry overhead rates of 100 or 200 percent, and the colleges and universities more like 50 percent.

In terms of construction, we have recommended that the federal share go from one-third to one-half.

We favor, in the training of Ph.D.'s, that the federal government take the basic responsibility for the cost to the student and to the institution—not just in science, but beyond science. As Jack Morse has said, there is a national market for Ph.D.'s. It is not the individual state that gains so much, but the whole nation. It seems reasonable that the federal government should take most of this responsibility.

We are recommending that there be a vast increase in the number of places for the training of medical doctors, a 75 percent increase in places by 1976-77. And here again this should be a federal responsibility. The federal government has taken over the responsibility for medical research, and it could just as well do so for the training of doctors, which is now the greater need. It does not make too much sense for the state of Illinois to train doctors, 70 percent of whom go elsewhere; or for California to train any doctors, because 80 percent of them migrate from other states. There is a national market, and it is very hard for the states to ignore this fact. I note, parenthetically, that the South, while it is behind in the training of Ph.D.'s, is ahead in the nation, comparatively, in the training of doctors, which is the most expensive group of all to train.

Beyond these recommendations on research, construction, Ph.D. training and M.D. training, we recommend a program to get greater equality of opportunity in this nation. At the present time, the chance of a young person whose family is in the top half of the income range getting a college education is about three times as great as in the bottom half. Comparatively around the world, that is a very good record. It is the best of any of the major nations. The nations which come closest are Japan and Russia, but we are ahead. However good this record may be internationally, it is not good enough in terms of our own national goals. We have declared that all men are created free and equal, and equality of opportunity these days means equality of opportunity to get an education. And so we recommend that it should be national policy to change that ratio of 3:1 to 2:1 by 1976 as one way of celebrating our national principles, goals and accomplishments, 200 years after the Declaration of Independence. We recommend strengthening programs for grants, work-study and loans, and beyond that, grants to institutions that take the low-income students. We propose a modern version of the G.I. Bill of Rights, which was so extremely successful after World War II—a kind of civilian Bill of Rights so that low-income students will get their opportunities to go to college wherever they choose and can be admitted, which was true under the original G.I. Bill. The institution that accepts them would then get an allowance for the cost of education.

We are particularly recommending, under equality of opportunity, that young students in high school at the start of their sophomore year know what opportunities financially are open to them. Under the present situation, they do not know until some college has admitted them and the financial aid officer has told them what they may have. We think it would be of great value if they could know at the start of their sophomore year that, if they took a college preparatory course and if they did reasonably well, the money would be there. We face across the nation, now, the problem of so many students coming quite unprepared, putting a burden upon the colleges and universities which they are not well-equipped to handle and should not have to handle. And we feel that, by giving early assurance of economic opportunity, this could be handled at the high school level to a major degree; the students would come better prepared to take full advantage of their college experience; and it would be easier for the individual college to accommodate them. We feel that college preparatory work ought to take place not in the college, but before college; that this is more likely to happen if there is, in advance, an assurance of assistance.

Now sixth, and very briefly, two special problems. One is the problem of the private college. As far as we can tell, the private colleges and universities in the most trouble are these: the private university with substantial research endeavor and then the quite small liberal arts college. These are the two groups that are failing to meet their bills year by year and are going into debt. As we study their accounts, we find that the areas in which they run into debt are these: The universities run into debt in their research accounts, and both categories run into debt in giving student aid as they bring in more and more students from low-income groups. And I should like to suggest that the recommendations of the Carnegie Commission would help in both of these areas. If there was much more adequate support for overhead on research and if there was much better support for low-income students, we think that a good deal—perhaps not all, but a good deal—of the problem in private colleges and universities could be taken care of. Let me add that some private colleges also seem to be too small to be economically viable.

Next, on the question of the South. We have tried to calculate what the recommendations of our Commission would mean to the states that belong to the Southern Regional Education Board. At the present time, about 21 percent of all expenditures on higher education are in the South, as compared to 24 percent of the students and 28 percent of the high school graduates and 33 percent of young people aged 18 to 24. The Commission's recommendations, particularly by giving heavy support to low income families (given the income structure of the nation) and by giving heavy support to those parts of the country which supply us disproportionately with medical doctors (as does the South) would result in about 30 percent of federal aid going to the states within your Board, as compared with lower than your just proportion at the present time.

As we look at the situation, the federal government also ought to be assisting in establishing about 200 more community colleges in the South. The South is not particularly strong—with the exception of Florida—in the community college movement. In other ways I could detail, the South would be at a definite advantage.

Let me turn to my final comment about the collision course between the campus and the community. Governor Godwin this morning used the phrase that there was an "erosion of confidence" in higher education, and I quite agree with him. We have been placing before the public high financial needs. Yet we have been conducting ourselves in some ways which have lowered the esteem of the public toward higher education. At the same time, the nation is also looking increasingly at other priorities than just higher education.

When, as a chancellor and president in California for over 14 years, I went around the state, I saw three growing criticisms: First of all, that people, and particularly as dissent turned to violence, became more and more dissatisfied with higher education and felt that dissent was taking improper lines of expression; second, an increasing concern that higher education was the source of change, scientific change and nonscientific change, and that people were getting tired of having their lives changed so rapidly; and, third, a kind of a feeling that the "meritocracy" that is trained by the colleges and universities—the experts trained by the colleges and universities—is somehow contrary to the idea of democracy where every man's opinion is worth as much as that of anybody else.

I saw these developing attitudes, and so, in one of the studies which our Commission had made by the National Opinion Research Council, we asked them to assess the attitudes of the young alumni in these areas. The NORC had made studies of the class of 1961 that resulted in a book called *Great Expectations.* What were these young alumni thinking about higher education seven years later? From one-quarter to one-half said they were distressed or unhappy about higher education in these three areas. The NORC thought this sufficiently interesting so that they ran another poll of the population at large. How did people feel about higher education? They found that there was unhappiness with higher education on the part of something like one-half to two-thirds of the American population in these three areas.

Now I do not quite know how this collision course is going to be overcome. Dissent is in the nature of the campus. Change is inherent in research. One of the great purposes of higher education is to train skilled people—the "meritocracy."

There is one thing which I think has to be done, and that is for the campuses to turn their backs completely on violence. Now it is easier for me to say that than perhaps for some others in higher education. During my period of time as an administrator, there was no violence. There was some civil disobedience, but no violence. But in the interval, since I was in university administration, violence has come in, and I can only surmise secondhand how hard it is to handle. But with these basic concerns the public has about higher education, to add violence on top of them is just too much. I think the campuses have to find ways, and it will not be easy, to solve their problems without resort to violence. And I would say that means that the campuses have to be much more prepared than ever before to use academic discipline. And this means that faculties have to be prepared to use it, and a great responsibility for the future lies with them.

Governor Godwin said this morning that higher education holds the key to the future of the South. It also holds the key to the future of the United States. What the railroads did for the second half of the 19th century, and what the automobile did for the first half of the 20th century, higher education is going to be doing in the second half of the 20th century—and that is to be the central force for national growth, supplying new ideas and new skills. This is true for the nation, it is true for the South, it is true for each of your states.

a view from public higher education

Russell I. Thackrey

Commenting in 15 minutes on the views of Mr. Kerr and Mr. Morse reminds me of a question in a college examination I once took in a course called "The Contemporary Novel in Western Europe and the United States." The assignment was: "Summarize the chief developments in the novel in Western Europe and in the United States since 1880. You will be given 30 minutes for this part of the examination."

I will use the limited time at my disposal to outline my views as to what the federal role in higher education should be in the years immediately ahead, with comments which will indicate areas of agreement with or difference from those in the remarks of Mr. Morse and Mr. Kerr.

Almost every major issue in higher education is related to *who pays for it* (society or the student and his family and in what relative proportions) and *how it is paid for* (through the student, or through the support of institutions as such, through voluntary support and public taxation, and in what proportions).

Since time does not permit me to elaborate on why this is so—the relationship of the why and how of financing to everything from rational planning for higher education to campus disruptions—I have brought with me copies of a paper called "Some Thoughts on the Financing of Higher Education" which will be available to each of you.

Where are we with respect to the federal role? Where should we be going? Why? How?

Where Are We?

We are nearing the end of a 20-year period in which the federal involvement in higher education has increased greatly. During most of this period the emphasis was on a substantial expansion of funds for research in the natural sciences and in the health fields; and on helping students—who rated highest by the standard academic criteria—go to college and then on through graduate and professional school. We started with rather narrowly defined categories of "the national interest" and then broadened them extensively but, as Mr. Morse has indicated, still in most cases categorically, by adding new areas. Toward the end of the period we have been putting increasing emphasis on aid to the economically and culturally disadvantaged.

The federal role in this period has been one of selecting things deemed to be in the "national interest," and offering financial aid in these areas—for research, for institutes, for loans, for work-study programs, for Educational Opportunity Grants—and so on. In almost every case the federal government has asked colleges and universities to put substantial amounts of their own resources into these programs. These resources have had to come from funds otherwise available, for the general operating support of the institutions—for paying faculty, for operations of the physical plant, etc. The federal government has, so far as undergraduate education is concerned, taken virtually no responsibility for institutional support.

Colleges and universities have looked to the states, to private foundations and gifts, and to rising charges to students, to finance the rapidly rising cost of undergraduate education—rising because of increased numbers, inflation and the competition of other areas of national life for faculty talent. Colleges and universities have been sharply criticized of late for a tendency to emphasize research at the expense of undergraduate teaching. Yet the whole national emphasis has been in terms both of dollars and prestige, on financing research. Funds have not been available for the support of instruction.

This system has worked moderately well up to now. Private institutions have increased their fees sharply and their voluntary support substantially. The states have increased their support of higher education dramatically. This increase, however, has not kept up with rising numbers and costs. Support per student, in public institutions, has on the whole declined. Faculty work loads as represented by the student-teacher ratio have increased, and student charges have gone up sharply. The rising cost of higher education to the student and his family is a matter of increasing concern. Several campus disturbances recently have been related to increases in student charges. The federal involvement in higher education has been of great benefit to the nation. It has also produced some stress and distortions.

The thing that has changed, as we look to the future, is that the federal government cannot, in my opinion, continue to look to the states and private sources to carry the increasing cost of college education, as well as contribute substantially to the cost of federal programs emphasizing certain categorical areas or designed to help more students go to college. I am now talking about undergraduate education or, to put it another way, education beyond the high school and prior to entry into post-baccalaureate graduate and professional work.

The evidence is pretty clear. The states can, and I am confident will, do substantially more. But the many other societal needs pressing upon the states, requiring increased financing, plus the reluctance to increase taxes because of fear of losing out in competition with other states, suggest grave problems ahead. In the private sector, the major foundations have already turned their primary emphasis away from higher education—or the support of colleges and universities as such—into particular areas of social need.

This leaves the federal government, with its substantial monopoly of the income tax—which must quickly increase revenues as the economy expands and most equitably distributes the burden on the basis of ability to pay—as the primary source of increased public revenue for higher education in the years ahead. The Carnegie Commission on the Future of Higher Education, indeed, urges a sharp expansion in federal support of higher education by 1976, from 21 to 32 per cent. Most of this is earmarked by the commission for research and graduate and professional programs and aid to low-income students. The Carnegie Commission sees a modest increase in state and local support, but a sharp drop in the proportion of this support, from 27 to 17 per cent. The remarkable—and to me shocking—aspect of the Carnegie report is its recommendation that by far the greatest increase in the support of higher education—$12 billion dollars—come from what it describes as private support, but what it means is making the student pay that much more. The U. S. college student already pays more of the cost of higher education than in any other major country with the possible exception of Canada. In real economic terms—including subsistence, fees, books, and foregone earnings, the student now pays about 75 per cent of the cost of higher education. The Carnegie report would increase this!

Where Do We Go From Here?

Before outlining where we should go, let's lay down some basic principles:

As basic principles for discussing the future federal role in financing higher education, the Carnegie Commission said that we should continue to have a diversified system of higher education, with a wide variety of sources of support. Diversified in terms of control, philosophy, objectives, a wide range of institutional autonomy. I agree with these stated objectives.

Let me add some additional criteria to those of the Carnegie Commission: I believe that the chief beneficiary of higher education is society, and that society should play the major role in financing education at all levels; not just in the elementary-secondary and graduate and professional schools. I believe in a substantial decentralization of decision-making in higher education. There are appropriate roles for the federal government, state government and institutional governing boards, public and private, and each should have a voice in decision-making, rather than having it highly centralized. Within institutions, governing boards, administrators, faculty members and students should be involved in policy making, in appropriate areas.

With these criteria, and these principles, what should the federal role be with respect to undergraduate post-high school education, with special emphasis on assuring access for the economically disadvantaged?

Before stating these criteria, I would like to pay tribute to the work of the Southern Regional Education Board, and to the states which compose its membership, for their constructive and effective work in increasing educational opportunity for disadvantaged students. Through special programs for such students, through stimulative cooperative efforts among institutions, through keeping tuition charges at relatively low levels, through special "catch up" support for disadvantaged institutions, much has been done in the S.R.E.B. area to make opportunity for higher education genuinely available.

The criteria:

1. The reasonably adequate funding of present programs is, of course, the first order of business. These include both individual student aid programs and those which do help to some extent to keep down the college charges—such as academic facilities, grants, and low-interest college housing loans.

2. First priority among new programs should be one of substantial operating support for institutions of higher education, public and private, throughout the country. This is needed to reduce and if possible reverse the rapidly rising cost of higher education to the student and his family, in both public and private institutions. Some favor providing this kind of support through block grants to the states, or through earmarking a portion of federal income taxes to the states. This might be appropriate for elementary and secondary education: It would raise grave problems as to the participating of private institutions, within the several states, both on legal grounds and because of the fact that many private institutions enroll their students primarily from outside the borders of any one state, rather than inside them.

I emphasize direct institutional support, to help keep down student charges, because it is a direct attack on the basic reason why more and more students find college attendance difficult on financial grounds. It is curing the disease, if you please, rather than poulticing the symptoms by giving students money to meet rising charges. I favor both, but the federal government is doing only the latter, at present.

Institutional support to check the spiraling cost to the student is a first order of new business in helping the economically disadvantaged attend college. For example, a recent survey of fall 1968 freshman enrollments by family income groups showed that between 1966 and 1968 there was an increase substantially beyond predictions in numbers of students from low-income families attending college. From families with incomes of less than $5,000, the increase beyond estimates was 66,000. Of this 66,000, 54,000 was in public institutions, and it was distributed roughly in accordance with their level of charges: largest in public two-year colleges, second in the state colleges, third in the public universities. If college charges are kept down, both in public and private institutions, most students can attend college on their own and their family resources. The federal institutional support program should be supplemental to state and private support of undergraduate education—a substantial but still minor element, designed to encourage and not reduce other sources of support. It might include maintenance of effort or matching provisions, and of course institutions would have to account for the use of the funds. The general powers of the states with respect to education, and of the public and private bodies responsible for higher institutions, would be neither increased nor diminished.

3. Along with this program, I would endorse the Carnegie Commission's proposals for substantially increased financial aid to students from low-income families. But I would see the first program—of institutional support—as an essential corollary to the second.

How does this differ from the Carnegie Commission proposals, with respect to education beyond the high school and prior to entry into graduate or professional training? Very substantially, in its long-range effects.

The Carnegie Commission proposals, as I see them, would channel most funds of federal origin through the students: through direct grants accompanied by some operating support; work-study programs; through a vast expansion of student borrowing through a federal bank, with the Internal Revenue Service as collection agent. (This proposal, incidentally, would saddle most young graduates with the equivalent of an extra home mortgage.)

To look at it another way: The Carnegie Commission would channel virtually all funds for undergraduate education through the student, but for the most part would subsidize only the student from low income families, and provide institutional support only in connection with such students.

If all the money is channeled through the student, then the only way institutions could get increased income would be to raise charges to the students—to all students. As you raise charges, more and more students need special help to meet them. To put it more simply: This year you give a student $1,000 to make college attendance possible. The college raises its charges by, say, $300 each. So you give the first student $1,300. But the rise in charges prices some additional students out of college. So you start giving them subsidies of $300 each. The next year charges rise again . . . and so on. Unless Congress keeps raising individual student subsidies, giving them to more and more students, access to higher education becomes increasingly dependent on borrowing—for all but the most affluent.

The long-term result of the Carnegie recommendations, as I see it, would be that in not more than a decade a substantial majority of all U. S. college students would be directly dependent on federal programs—grants, work-study, loans, for college attendance. By the same token, most colleges and universities would be indirectly—but effectively—dependent on federal action for financing, and directly dependent on the student. And a large additional portion of the cost of higher education would be shifted from society to the student—through what is in effect a special federal tax on those who have attended college, paid over a working lifetime.

In summary, I suggest that if the future federal role with respect to financing undergraduate education is, as the Carnegie Commission suggests and present programs emphasize, we will have:

1. A system of undergraduate education dependent not on a wide variety of sources of support, but directly upon the student.

2. A system of higher education indirectly, but effectively, dependent on the Congress, through loan programs, grant programs, work-study programs, and the like.

3. Distinctions between public and private institutions of higher education as such would largely vanish. All education would be private in the sense of getting its money primarily from the student, rather than from society. All higher education would be public, in the sense of its ultimate dependence on the federal Congress and administration.

4. The idea of rational planning by society for higher education would be largely eroded, particularly at the state level. How can you plan for or coordinate a system of higher education when the money comes from the customer and, under the "market philosophy" the "customer is always right."

5. Students would have the "power of the purse" in the sense that institutional income would come largely through or accompanying them. They would, in short, be in the driver's seat, as opposed to boards of trustees, administrators, and faculty. They would have this power at a high price—unless they were from really affluent families—the price being the assurance that young families would be saddled with another long term debt equivalent to a home mortgage.

A Balanced Program

What I am urging is that the future federal role in higher education be a balanced role. It would involve and emphasize aid to students, particularly to disadvantaged students, because there will always be many who cannot go to college without aid, no matter how low the level of college charges. It would include a loan program, and other elements permitting freedom of choice. But it would provide direct public support for institutions, public and private, which are willing to conform to public policy by admitting all qualified students without discrimination. It would help keep college charges down, rather than forcing them to go up. It would avoid creating vast new levels of federal and institutional bureaucracy to pass on the qualifications of every individual student for aid, and therefore, for access to college.

It would encourage, and not discourage, increased state and local and private support, and foster diversity and variety in higher education.

It would call for most substantial levels of federal support of institutions. There are those who say that this would lead to federal control. My own view, buttressed by nearly a quarter-century of experience in Washington, is that federal control of a highly objectionable character is much more likely to be attached to aid to individual students, than to institutions. The land-grant institutions have had direct federal support for instruction for nearly 80 years, with minimal federal administrative cost and intervention.

The papers of both Mr. Morse and Mr. Kerr call for a most substantially expanded federal financial role in higher education. Some say the amounts proposed are unrealistic in view of other societal needs. This criticism is based on a false set of national priorities. It is a little like the motorist who starts on a long trip and decides that the cost of motels and food and tires being what it is he can't afford to buy gasoline. If higher education is as important as we say it is, as we know it is, in relation to the solution of all our other national problems of whatever description, we will find ways to finance it. Our resources are not unlimited, but they are certainly adequate to finance what we believe is important. More than a century ago Jonathan Baldwin Turner of Illinois described "the greatest of all interest ever committed to a free state—the interest of properly and worthily educating all the sons of her soil." This is the national interest, as I see it.

a view from private higher education

Henry King Stanford

I assume that your director, Winfred Godwin, invited me to speak to you this afternoon and comment on these two presentations by Mr. Morse and Mr. Kerr because I represent an independent, so-called private university. I really do not know what that word "private" means. Certainly *The Miami Herald* has an overweening interest in the trivia which transpire on our campus, and in some of the more significant happenings, too, if I can use that word "happenings" outside of its more current usage. (We do have that kind, too, occasionally.)

So, believing that I was invited because I am president of a so-called private university, may I tell you just a word about this institution as a case study in the relationship between a private university and the federal government?

Our university was founded in 1926 on land contributed by George Merrick, who started (the city of) Coral Gables. The university possessed $10 million in pledges toward its original endowment in 1925. One year later those pledges were worth nothing, because they were based upon Coral Gables real estate values, which had evaporated with the Florida bubble. The great hurricane of 1926 blew across southern Florida in the fall of that year and dismantled our first building under construction. It was more than 20 years before the trustees could acquire enough funds with which to complete that facility. But somehow the trustees were undaunted, as was the first president, and they proceeded to open the university anyway in a hotel facility which itself was a victim of the real estate bust.

From then on, it was one vicissitude after another. We survived a bankruptcy in the early 1930s. The chairman of the board of trustees hocked the library books once to get enough money to meet the faculty payroll. Fortunately, the bank never possessed them. Since I've been at the university, the last seven years, longer than I have ever been able to hold a job anywhere else, we paid the last installment on the mortgage for which those books were the collateral. And then we survived the veterans' inundation and recession, somehow. The university seemed to have a kind of built-in will for survival. And I do not mean to underestimate survival.

I like to think that the history of our university has paralleled that of the human life cycle. We had, as you can obviously infer, a precarious infancy, an undernourished childhood, somewhat of a boisterous adolescence (when we were known as "Suntan U"), and now we are moving well into academic maturity. I used those words once to Margaret Mead, who was sitting next to me at the head table. I liked the ring in my voice and the figure of speech I had conceived. I said to Mrs. Mead, "precarious infancy, undernourished childhood, boisterous adolescence, academic maturity." She said, "And then?" Well, we are going to try to avoid institutional senility at our place.

Our enrollment is some 17,000 students: 13,000 day students, 4,000 evening division students. They come from 49 states, all represented but Wyoming, and I've issued an order that at least one be lassoed from Wyoming for next fall so that we can count a full 50-state roster in the student body. We also have students from 68 foreign countries.

We have the usual run of schools and colleges—the arts and sciences, business, education, engineering, music, nursing, continuing education, law, medicine, graduate, the school of marine and atmospheric sciences, an institute of molecular evolution, a center for advanced international studies, center of theoretical studies, center for urban studies. Our faculty includes 888 full-time, 175 part-time, and of the total number, 67 percent possess the doctorate.

The fiscal dimensions are really something to behold, but even more to try to meet. The total budget is about $86 million; the operating budget, including research expenditures, is $78 million, and the capital budget is about $8 million for the fiscal year which began on June 1. Our telephone bill is $1,600 a day, the light bill (paid to the Florida Power and Light Company) is $2,600 a day. Our endowment is above $27 million, and it has doubled in the last six years. Our physical plant is valued at $94 million.

Now I should like to recite the role which the federal government plays in the operation of this institution. The total value of sponsored programs at our university last year was nearly $22 million. If you take the National Science Foundation ranking according to dollar-volume of federal assistance for all sponsored activities, we are 41st in the country, fifth in the Southeast after Alabama, Duke, North Carolina and Florida. Frankly, we were ahead of Alabama until there was a rather coincidental large grant to the University of Alabama's School of Medicine at the time Senator (Lister) Hill retired.

If you take another scale, that is, according to the National Science Foundation's institutional grant, which is based on basic science research which NSF supports at an institution, for the fiscal year 1967, we were 20th in the country and first in the South. Our growth rate in total sponsored programs is represented by the following figures: $9 million in 1964, nearly $22 million in 1968, an increase of 133 percent during the period.

Student aid, the bulk of which comes from the federal government, in 1964 was $836,000, in 1968 $2,500,000—an increase of 200 percent.

Support of sponsored programs is broken down into these percentages: federal government, 88.8 percent; state and local, 5.6 percent; foundations, 3.4 percent; and commercial, 2.2 percent. So 33 percent of our total budget comes from federal assistance.

The significance of federal assistance to the University of Miami is indicated further by the fact that 550 research and training projects are supported by the federal government. Federal support undergirds our graduate school operation by providing students, equipment, supplies and services.

And now just a word about its impact upon teaching. Almost $2 million in student aid funds was dispensed in 1968-69 to over 2,500 students at the university through such federal programs as the National Defense Student Loans, Economic Opportunity Grants, College Work-Study Programs, the Cuban loan program.

By the way, I always like to tell groups—particularly when someone asks me, "Aren't the Cubans such a problem for you?"—that Castro is the best thing that could have happened to Miami. He sent us the cream of the crop—the professional people, the business people—and our university has been instrumental in retraining these with assistance from the federal government. We have retrained more than 2,300 doctors who are now practicing medicine in the United States, from Maine (if you can think of a Cuban in Maine) clear out to California. Cubans in Miami have paid more in federal income taxes than they have received in assistance from Washington.

If the federal government were to stop supporting research at the University of Miami, research activity at our university would drop to about 15 percent of its present level. The most dependent areas are those where the university's strength is most apparent—medicine, where 50 percent of the total supported programs are supported by the federal government, and marine science.

Our university has been increasingly immersed in the community. Even though the main campus is located in a lovely suburb of Coral Gables, we really are an urban university. We have programs in urban studies, environmental biology (looking into pollution), human ecology, transportation, school desegregation, health services delivery, poverty programs, migrants, Cubans, blacks, law enforcement—all of these are supported by the federal government, and we would not be in them if it were not for the federal government.

The university has benefitted from federal funds for facilities, both loans and grants. I have a list, which I will not read, of the buildings which have been put up with federal assistance in the last five years. More than $10 million of federal support has gone into construction of buildings, which is not new to you, I know, except perhaps the magnitude of the expenditure. All branches of our university library system have received federal funds. And finally, significant support for faculty salaries is received in the form of released faculty time to federal grants or contracts.

I have to emphasize the tremendous role which the federal government plays in our university operations in order to lay a platform for some comments I want to make very briefly on what Mr. Morse and Mr. Kerr have said. Mr. Morse, I find myself a species of rabbit, too. I agree with you that we do not need to tear down existing support structures, but many facets need reforming, refining and redirection. I think the federal government needs to cut down the administrative burden imposed on universities which participate in federal support programs.

I think Congress ought to have faith that the United States' institutions of higher education are basically honest and competent. I know, considering what Mr. Kerr said, there is widespread feeling that we may not be an asset to the nation, but I think Congress ought to assume that we are basically honest and competent.

In the second place, I think the federal government needs to standardize methods of support, reporting procedures, funding procedures. I am not asking that individual agencies submerge their personalities, but I do think that the federal government could make life easier for the universities by requiring all agencies to follow similar administrative guidelines as to cost sharing or even to such minor irritations as the various ways universities receive news of awards. For example, I get notice directly from the National Science Foundation; NIH informs the business manager; NASA informs the dean of research; the Defense Department informs the principal investigator, and the HEW informs me through a telegram signed by two senators and a congressman. This usually comes to my home on Saturday night, late. And I am not ungrateful.

In the third place, I think we need to provide some underlying method of continuity of support to avoid gaps, sudden discontinuation, after-the-fact cutbacks. I know I have had to worry with the dean of our School of Marine and Atmosphere Sciences over what we must do, at the time of a cutback with a group of highly competent experts until the grant can be reinstated or until another one can be secured. We do not want to let them go, because they are doing valuable work and are nearly impossible to replace. We want to keep this team intact, but sometimes two or three or four months elapse between the expiration of one grant and our ability to attract some additional money from the federal government.

I agree, Mr. Morse, that educational institutions should be limited to that research which is supportive of educational objectives. I asked our research council the other day to examine every research program in our university to see how relevant it is to educational objectives. The research programs got a clean bill of health with the exception of two—one on second examination looks to be related, and one cannot be justified at all. It may well be that we will be giving it up.

The university is basically an inefficient organization for research, but the university is the only place to train graduate students. Thus, I think university research support is easier to sell if it is based on the unique capability and function of educational institutions. I agree that, if it has no relationship to our educational objectives, then some other institution, some other agency of society might well do it—like industry or the federal government.

I have to register a mild disagreement with you, sir, that the government should pay the full cost of research it supports. Now this may not be very popular among my fellow educators, but I believe cost sharing to avoid the pitfalls mentioned by you—that is the diversion of university resources—must be consistent. I think it must give credit for time and dollar in-put by universities to each project, regardless of the source of support, rather than require some arbitrary percent cost-sharing figure. I think we should be given credit for in-kind contributions from the university—that is talent, faculty consultation, administrative supervision.

Reluctantly I must register another disagreement, and this is that the Humanities Foundation or the proposed Social Science Foundation cannot grow to meet our nation's needs. In the 1950s, if I recall correctly, basic science was pretty esoteric and not popularly supported. Congress and the public responded to being informed and enlightened, and I think they still have a long way to go, even as regards science, but of course we can help a great deal. It is the function and duty of higher education to see to it that the public and the Congress see the value of supporting projects with subtle or long term payoff characteristics.

I agree heartily with Mr. Morse that a larger share of federal support should be allocated to institutional support. This kind of support permits institutions to select their own areas of emphasis, to develop their own quality patterns, and to control more nearly their own destiny. But institutional support, in my opinion, must not be at the expense of project support. I believe that project support, which recognizes and rewards individual excellence, must continue to be the basic form of federal support of higher education. I agree with your formula, enthusiastically, that the degree of federal responsibility will be directly proportional to the national, as opposed to the local, characteristics of each institution. I think Dr. Thackrey in his comment pointed out how the institutions in Washington, D. C. serve a clientele far beyond the District, as we do.

Now, as to Mr. Kerr's statements, I relied very heavily, in preparing these comments, upon the great report of the Carnegie Commission on Higher Education, which came out in December of last year. I believe, as he does, that grants and loans to individual students should enable them to move toward the nation's goal of equal educational opportunity. These grants should be accompanied by institutional support in proportion to grants. We must make sure that colleges and universities will not suffer financially from accepting student support. I liked what you said this afternoon; the emphasis you placed upon early assurance of economic opportunity pleased me immensely.

I believe we should have support for institutions to meet increased costs of expanding enrollment and to strengthen areas of particular national concern. I agree, with some reservation, on the process of selecting areas of particular national concern. I know that vast sums of money pour into institutions and these can easily divert these organizations, but I think institutions, in order to minimize this danger, should participate in selecting priorities. I think we need to extend support for research, for construction, and for special programs. I agree without reservation.

I remember the bugaboo which was raised some time back about federal control. In all of the experience I have had with federal government financing, I have not experienced any control. Now we are required to render audits, and this is certainly logical. We are required to certify that we have adhered to various civil rights acts and so on, but I do not recall at anytime that there has been a bureaucrat who has come into our university and tried to control it from the outside. What worries me, however, is the way I and my colleagues seem to grasp for the money because, like the top of the mountain, it is there, and whether we should be doing it or not sometimes I'm not so sure.There was real enticement in knowing, for example, that I could get $3 million from the federal government for a child development center. All I had to do was raise a matching million and get $800,000 worth of land. We validated the federal grant; now we are going to have a great child development center here. But would I have thought of a child development center, if the $3 million had not been there? I think obviously not, worthy as this purpose is.

I agree with the Carnegie report on the importance of special requirements of medical education. Back in 1952 my predecessor at the University of Miami made the decision to start a medical school, an act of great foolhardiness or courage. Since the medical school has been successful, I think it was courage. If it had gone under, it would have been foolhardiness. The line between courage and foolhardiness is pretty tenuous. It is in this activity that we do get some aid from the state. But I hasten to say, with my good friend, the chancellor, back there, that I think the University of Miami aids the state—because for only $5,500 per student per year the university undertakes to educate 90 residents of the State of Florida in each class of the medical school. We get no state money for buildings. This is a bargain for the state, a successful arrangement that is mutually beneficial to the state and the university.

Our university medical school has a budget of nearly $22 million. The state subsidy for the coming year is around $1,700,000. I agree on the principle of payment to institutions which insures the ability of private institutions to support schools of medicine. If it were not for the state support and for the research money from the federal government, I think this institution long would have given up any responsibility for medical education.

I agree on the need for additional federal construction money. Money for new institutions should not be at the expense of support to existing schools which face continual needs to renovate, upgrade and expand.

I agree with the Carnegie Commission's concept of institutional grants for discretionary purposes which would amount to 10 percent of total research grants received annually by an institution. We now receive about a half-million dollars annually in discretionary funds. This constitutes the single most important factor in stimulating growth and strength in areas of university choice. We can take this money and move it around across the campus, particularly if it is available for non-science, and add strength to the institution. For a private institution, no other available source of such funds is open.

I agree that the present system for awarding research grants is basically sound. But I wish to repeat the plea for reform in uniformity and administration.

I think I disagree with the Carnegie Commission report that granting agencies should adopt the practice of providing low priority for funds for released faculty time. This recommendation would be punitive for the private and less affluent institutions. I think only the well-endowed private and state-funded institutions can afford to absorb all salaries; others would suffer a competitive disadvantage. If the effect on teaching is the main concern here, then I suggest that special programs to foster improved teaching rather than the negative approach of withdrawing funds, be resorted to. I agree that the present system is weak on funding small projects, planning projects or projects for young faculty members. I think that 10 percent institutional discretionary funds will help alleviate this problem, but direct funding for such purposes is also desirable.

I agree on the need to continue and increase support for libraries and for institutional studies.

I agree that government should encourage more centers for comprehensive training and research on specific geographical areas, and on particular fields or issues in world affairs.

And finally, I agree with Mr. Kerr and his commission on the dimensions of increased federal aid proposed for higher education, if this nation is to continue its role of cultural, scientific and political world leadership.

a view from state government

Buford Ellington / Governor of Tennessee

The nation's governors have some strong thoughts on several of the underlying issues being discussed here today. I am sure that a majority of the governors would single out and underline two major thoughts, and I would like to comment on them briefly.

First, more funds from all sources are going to have to be made available for all levels of education. The doubling of college enrollments in the last decade underscores the need, and the tripling of education budgets during this period reveals the magnitude.

Second, more funds, more responsibility, more authority will need to be granted to the states. The states are the logical and worthy trustees and administrators of human resource programs. State officials are moving to meet these responsibilities by investing more time, more leadership, more concern and more money.

All levels of government are straining to meet the rising costs of new and expanded services, and it is clear that all levels can and must exert still greater efforts in the future. Federal support has been substantial in practically all areas in which state and local governments have responsibility.

In education, certainly much of what has been accomplished has been a direct outgrowth of federal investment. But there is much more that the federal government can and should do. State and local resources are dwindling, but the demands are skyrocketing: Expenditures for all services are expected to double between 1966 and 1975. The demands and the needs are mounting faster while the tax resources are either near or at the level of toleration and, in many cases, beyond what the homeowner and consumer can stand.

There are no easy answers, but we do know that if states are to continue to hold responsibility for education, and the multitude of other services they perform, a new fiscal relationship must be born. Here are some reasons why:

☐ Federal spending for domestic purposes is rising at a slower rate than are state and local expenditures.

☐ Federal aid accounts for less than 18 percent of all revenues of state and local governments: The federal government pays less than eight percent of all public expenditures for education.

☐ Federal aid to states and localities represents only 13 percent of total federal spending.

State and local activity is severely curtailed by federal taxing policy: The federal government takes some two-thirds of all tax revenues, yet state and local governments are expected to continue to provide the services.

Without some fairly basic changes, we are going to be in the position of having to deny education to those who need it, to deny many other needed services to the needy, and that will be a sad day for us all.

With additional resources, and a more logical and more simplified grant system, we can go far to assure a federal system of shared responsibilities, in fact and not fiction.

There are between 450 and 1,050 federal programs now in existence, nobody knows the exact number. It depends on how you define a "program." There are over 100 of these programs that require a state plan, none of which are required to be related to each other or to comprehensive statewide policies and plans. There are some 83 grants for educational purposes alone. In far too many cases, the programs do not reach the people and the problems they were intended to serve. And in some cases, the programs tend to create new problems rather than solve existing ones.

Therefore, it seems clear to me that programs must be consolidated to reach clearly defined goals. Programs must be related and clear authority given to eliminate duplication, inefficiency and unnecessary bureaucracy. Programs must be reconstructed to give elected state and local leaders a major voice in decisions.

Up until 1963, almost all federal funds for colleges and universities proceeded directly to the institutions, and each federal agency had the responsibility of allocating available funds among several thousand colleges and universities. With the passage of the Higher Education Facilities Act, the principle of allocation to states came into use, with the responsibility charged to a state body representing the major segments of higher education.

Today this principle is in effect for administration of several programs of federal support, and is well established. It is this type of pattern that most of the governors favor. And it is this type of pattern that we have been working toward. I believe if we continue to work toward this end we can solve a lot of problems, we can move forward together, and do an even better job in the field of higher education—in fact, in all education.

Now, one concern with me, just my own personal concern: As I told you, I have just finished a session with the legislature. I think that all of us elected officials, the college and university presidents, the student body—yes, even the faculty—did a little selling job. I think it is time to let Mr. Average Citizen know that all the bad that we hear about the college campus, that all the bad we hear about the student body—actually, in my state about five percent are involved; I doubt whether it is that many, but that five percent is going to make it rough in the legislature in the immediate future as we seek additional funds, unless we can separate and let the public know the difference between that five percent of the student body and the 95 percent that is just as interested in helping us build for the future as you are and as I am.

And so, Dr. Godwin, I think that one of the great challenges of the Southern Regional Education Board now, and I've been around it a good long while, is that we reestablish the faith of the individual in our country. I think it is a must.